BUSINESS ADMINISTRATION
LIBRARY

# Accountancy

ESTABLISHED 1889

ACCOUNTING · MANAGEMENT · FINANCE

*Pensions for Practising Accountants*

•

*The President's Speech*

•

*Reforming the Bankruptcy Law*

THE SOCIETY OF INCORPORATED ACCOUNTANTS

JUNE 1956

TWO SHILLINGS

# The Society

## of

# Incorporated Accountants

*President:* SIR RICHARD YEABSLEY, C.B.E., London

*Vice-President:* EDWARD BALDRY

*Secretary:* I. A. F. CRAIG, O.B.E. *Deputy Secretary:* C. A. EVAN-JONES, M.B.E.

*Offices and Library:*
INCORPORATED ACCOUNTANTS' HALL, TEMPLE PLACE, VICTORIA EMBANKMENT, LONDON, W.C.2

Members use the designation Incorporated Accountant. Fellows may also use the initial letters F.S.A.A., and Associates A.S.A.A.

Admission to membership is by examination subject to satisfactory completion of articles of clerkship for five years (university graduates three years.) Six years' approved professional experience may be accepted in lieu of five years' articles. Exemption from the Preliminary Examination is granted on production of certain educational certificates.

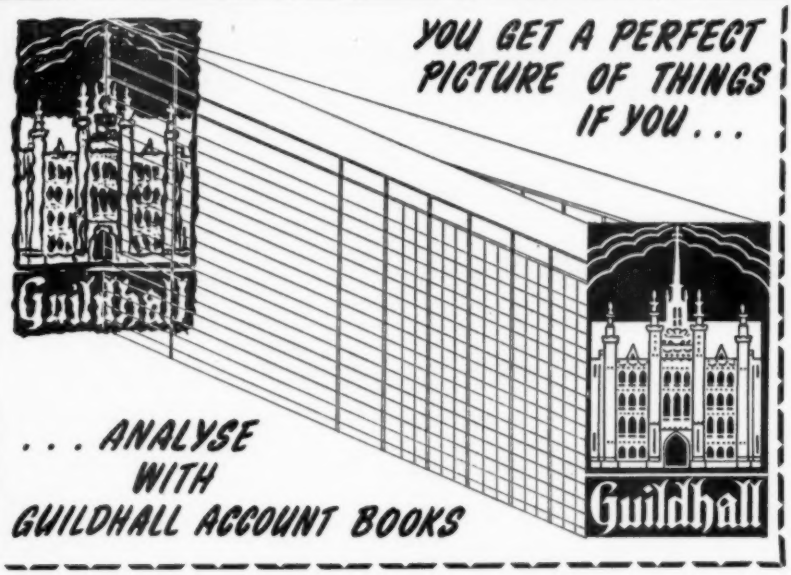
Articles may also be integrated with full-time study at certain universities. Under this scheme a specific university degree and the professional qualification can be attained in a total period of $5\frac{3}{4}$ years.

All candidates must pass the Intermediate and Final Examinations, except that graduates under the universities scheme are exempted from the Society's Intermediate Examination.

There are Branches of the Society in Scotland, Ireland, Canada, Australia, South Africa and Central Africa, and District Societies in all parts of England and Wales, Northern Ireland, and India. Students' Societies and Students' Sections operate throughout Great Britain, Northern Ireland, and Eire.

Members of the Society are not allowed to seek professional business by advertisements or circulars.

The editorial and contributed articles and notes in ACCOUNTANCY cover a wide range of subjects and are selected for their general interest. The views expressed are not necessarily shared by the Council of the Society of Incorporated Accountants.




★ Huge stocks of well seasoned books always ready.

★ Our Catalogue BB30 is yours for the asking.

★ Our Systems Dept. should also interest you?

**TOLLIT & HARVEY LTD.**

*THE "RULING" HOUSE*

**40 GRESHAM STREET, LONDON, E.C.2**

TELEPHONE: MONARCH 8571

**REPORT AND ACCOUNT PRINTERS**

DESIGNERS AND TYPOGRAPHERS OF ILLUSTRATED BALANCE SHEETS. FINE ART AND COLOUR PRINTERS

**Greenaways**

69 OLD BROAD STREET, E.C.2

Telephone: LONdon Wall 7525 (20 lines)

**JOHN FOORD**

**& COMPANY**

Established over a century

*VALUERS AND ASSESSORS*

*OF WORKS, FACTORIES PLANT and MACHINERY*

**56 VICTORIA STREET LONDON, S.W.1**

Victoria 2002/3/4

# LATEST EXAMINATION RESULTS

At the Intermediate and Final Examinations of
**THE INSTITUTE** and **THE SOCIETY**
held in

## NOVEMBER 1955

Pupils of

# H. FOULKS LYNCH & CO. LTD.

again obtained

## ALL THE FIRST PLACES

and 24 out of 34 other Honours

At these Examinations 77 per cent of the successful Institute candidates and 58 per cent of the successful Society candidates were pupils of the Company

Apply for Syllabus of Tuition to The Registrar

**80A COLEMAN STREET, LONDON, E.C.2**

**Telephone: MONarch 2487**

# COMPANY FORMATION

**FOR SERVICE AND SATISFACTION**

you cannot do better than use one of the five **DAVY COMPANY OUTFITS** coupled with the **DAVY SERVICE** for your next company formation.

Write for full details and a draft copy of Memorandum and Articles of Association, settled by Counsel, to:

## CHAS. DAVY & CO. LIMITED

**Company Registration Agents**

Head Office
3-11 PINE STREET, LONDON, EC1
*Telephone* Terminus 6267 (5 *lines*)

City Branch
11 MASON'S AVENUE, LONDON, EC2

# CHRISTIE & CO.

VALUATIONS AND SALES
HOTELS AND BUSINESSES
PROPERTY INVESTMENTS

*Regional Estate Offices:*

| | |
|---|---|
| *London & Home Counties* | 7 BAKER STREET<br>LONDON W.1<br>*Tel.* WELBECK 0022* |
| *Hampshire & South West* | JACEY HOUSE<br>THE LANSDOWNE<br>BOURNEMOUTH<br>*Tel.* 7247* |
| *Devon & West Country* | ST. STEPHEN'S HOUSE<br>CATHERINE STREET<br>EXETER<br>*Tel.* 59371* |

INSPECTIONS AT SHORT NOTICE

**Private Branch Exchange*

# Accountancy

FORMERLY THE INCORPORATED ACCOUNTANTS' JOURNAL. ESTABLISHED 1889

VOL. LXVII (VOL. 18 NEW SERIES) JUNE 1956 NUMBER 754

*The Annual Subscription to* ACCOUNTANCY *is £1 1s., which includes postage to all parts of the world. The price of a single copy is 2s., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2.*

## CONTENTS

PROFESSIONAL NOTES
199 A.G.M. of Incorporated Accountants
200 The New President and Vice-President of the Society
200 Politicians and Accounting
202 The Study of Company Finance—I
202 The Study of Company Finance—II
202 Accountants' Fees
203 Approved Auditors of Friendly Societies
203 Streamlining the Public Trustee Office
204 Tax Relief on Trust Capital—
204 —But Another Tax Anomaly?
204 Accountants as Business Doctors
205 The Association's Membership Dues—
205 —And its Presidency
205 The Irish Budget
206 Enormous Capital Expenditure on Coal
206 Stock Market Statistics
206 The Work of the Business Economist

207 SHORTER NOTES

EDITORIAL
209 Robot Hands and Brains

LEADING ARTICLES
210 Unsolved Problems
212 Pensions for Practising Accountants
215 Reforming the Bankruptcy Law
222 N.P.V.
222 An Early Accounting Textbook

TAXATION ARTICLES
224 The Finance Bill
226 Tax Reserve Certificates

TAXATION NOTES
228 Valuation of Produce Consumed
228 Waste
228 Profits Tax and Capital Allowances
229 Surtax and Controlled Companies—The Chancellor's Umbrella
229 *Clitas*
229 Double Taxation—Central Africa Federation

230 RECENT TAX CASES

FINANCE
233 The Month in the City
234 Points from Published Accounts

READERS' POINTS AND QUERIES
236 Translation Work by University Lecturer—Tax Position
236 Tax on Wages Unpaid to Employed Wife
236 Investment Income and Profits Tax

LETTERS TO THE EDITOR
237 What is Turnover?
237 Should Turnover be Disclosed?

238 PUBLICATIONS

LAW
239 Legal Notes

THE STUDENT'S COLUMNS
241 I—Income Tax Returns
242 II—Losses on Dissolution of Partnership

244 NOTICES

THE SOCIETY OF INCORPORATED ACCOUNTANTS
245 Seventy-first Annual General Meeting
246 New Members of the Council
247 Luncheon by Mr. Bertram Nelson
248 The Lawyer and the Accountant
248 Dinner at Incorporated Accountants' Hall
248 Council Meetings
249 Incorporated Accountants' Benevolent Fund
250 Seventy-first Annual Report
257 Events of the Month
257 District Societies and Branches
258 Personal Notes
258 Removals
258 Obituary

# Professional Notes

### A.G.M. of Incorporated Accountants

FOR THE SEVENTY-FIRST time there has been an assembly of Incorporated Accountants at an annual general meeting. On May 16 there was a good attendance for the occasion at Incorporated Accountants' Hall. There was little discussion this year and the business was conducted expeditiously (our report appears on pages 245–246). To the general regret Mr. Bertram Nelson, C.B.E., F.S.A.A., the retiring President, was prevented by illness from delivering his address in person; his valedictory remarks were read, in his stead, by Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., the Vice-President of the Society. On pages 210–212 of this issue we reproduce the Presidential address in full.

The main business conducted by the meeting was the re-election to the Council of nine retiring members and the election to it of seven new members to fill vacancies. We have pleasure in congratulating the re-elected members and the newcomers to the Council. It is a signal mark of distinction for an Incorporated Accountant to attain a seat on the governing body of the Society but, at the same time, the duties and burdens placed upon a Council member are heavy indeed, and members in general have cause to be grateful to all forty-three of their fellow-members who devote so much of their time and energies to the running of the Society.

The debt of gratitude is greatest of all to the President. He gives a very large part of each working day to Society affairs; he travels tirelessly in these islands and, from time to time, abroad; he presides at innumerable committee meetings, and takes part in even more; he delivers speeches, formal or informal, at events as diverse as

*SIR RICHARD E. YEABSLEY*, C.B.E., F.C.A., F.S.A.A.
*President of the Society of Incorporated Accountants*

formal banquets and business deputations; he is the main repository of guidance and wisdom on policy. Mr. Bertram Nelson has been an outstanding President in all these many aspects of the office. He has endeared himself to Incorporated Accountants everywhere by his charm of manner; by his facility, and felicity, of speech; by his modest assurance. We say "thank you" to him, on behalf of the members of the Society, and pass to him wishes for a speedy recovery from his illness.

**The New President and Vice-President of the Society**

AS RECORDED ON page 249 of this issue, Sir Richard Yeabsley has been elected President of the Society of Incorporated Accountants, and Mr. Edward Baldry Vice-President. We have pleasure in congratulating them both upon their election.

Sir Richard E. Yeabsley, C.B.E., F.C.A., F.S.A.A., is a partner in Messrs. Hill, Vellacott & Co., London, with branch offices at Cambridge and Deal, and in Messrs. Hill, Vellacott & Bailey, Belfast and Downpatrick. In earlier years a partner in Messrs. Hill, Vellacott & Co. was President of the Institute of Chartered Accountants in England and Wales, and another was President of the Institute of Chartered Accountants in Ireland. The whole of Sir Richard's professional career has been spent with the firm: he became a partner in 1935, having been admitted to membership of the Institute of Chartered Accountants in England and Wales in the same year. Throughout World War I he served in the 3rd Battalion (City of London Regiment) Royal Fusiliers.

Sir Richard qualified as an Incorporated Accountant in 1923. He was elected as a member of the Council of the Society in 1945, and has served as Vice-President for the last two years. He is a past Chairman of the Incorporated Accountants' London and District Society.

Sir Richard was awarded the honour of C.B.E. in 1943 and was knighted in 1950. He is Accountant Adviser to the Board of Trade and a member of the Monopolies and Restrictive Practices Commission, the Board of Referees and the panel of arbitrators under the Coal Industry Nationalisation Act, and has served on the Hosiery Working Party and on Government Committees on the Distribution of Building Materials, the Resources of Minerals in the United Kingdom, Resale Price Maintenance, and Supreme Court Practice and Procedure. He is a member of the Council of the British Institute of Management, chairman of Brown Brothers Ltd., and a director of other public companies.

The new Vice-President, Mr. Edward Baldry, F.S.A.A., is senior partner in Messrs. Allen, Baldry, Holman and Best, Incorporated Accountants, London. He became a member of the Society in 1919, after serving articles with the late Mr. J. M. Fells, F.S.A.A., who was then a member of the Council.

Mr. Baldry has been in public practice for 29 years. He has been a member of the Council since 1949 and has served on many of its committees. Since 1945 he has represented the Society on the Council of the London Chamber of Commerce. He is a Freeman of the City of London and a member of the Fruiterers' Company.

**Politicians and Accounting**

HE WAS EMBOLDENED to speak before a gathering of accountants because he had once taken a correspondence course in accountancy, confessed Mr. Peter Thorneycroft, the President of the Board of Trade, at a dinner given by the Council of the Society of Incorporated Accountants on May

15. Yet he did not know how to do anything about accounts—instead, he had taken to politics, where they occasionally had a division but no addition!

The Board of Trade, said the Minister, had a close interest in figures. Witness the voluminous sets of statistics that the Department helps to produce—the monthly green book (the *Digest*), the yearly Blue Book (of National Income), the monthly grey book (of external trade) and numerous White Papers. This was a veritable spectrum of statistics, statistics that were very widely used and whose collection depended largely upon voluntary co-operation from business, not least from the accountancy profession. Usually opinion in the country was that Governments were wrong all the time but it was beginning to be thought that if the Government knew the facts it might occasionally be right—thus, the greater willingness on all hands to supply the statistics that provided the facts. The latest developments in the Board's statistical service were to be seen in the new series for hire purchase and for stock movements.

Mr. Peter Thorneycroft announced the decision, reported fully in a Professional Note on another page of this issue, to continue within the Board of Trade work now being done by the National Institute of Economic and Social Research upon the sources and uses of company funds.

Earl Attlee, in his speech at the dinner, said that he, also, had a limited experience of accounting. But when he was at Oxford he kept his personal accounts diligently, always carefully inserting the deficit as the last item to make the account balance. When he inherited during service in the first World War a set of Company accounts, he was careful to keep them intact and to hand them over to the succeeding Company Commander exactly as received, complete with the error! When he was Postmaster General he had jurisdiction over the well-known commercial accounts of the Post Office. He must confess that he had never really understood Sir Stafford Cripps's concept of "above and below the line" in the Budget accounts—though he had supported it in the House of Commons!

*MR. EDWARD BALDRY*, F.S.A.A.
*Vice-President of the Society of Incorporated Accountants*

He remembered Incorporated Accountants' Hall, in which they were dining, said Earl Attlee, when it was the Astor Estate Office, before the Society took it over. In those days he passed the Hall on his way to the Temple, where he waited for briefs that never came. The reward for not getting ahead as a barrister was that he was now a Bencher of his Inn and a Doctor of Laws at many universities. What, he asked, was the reward for failing in the accountancy profession?

Sir Richard Yeabsley, the Vice-President of the Society (presiding in the regretted absence of the President, Mr. Bertram Nelson, through illness), said that Mr. Peter Thorneycroft was Minister of a Government Department, correctly described as the Committee of the Privy Council for Trade, that had to concern itself with everything in the way of trade not dealt with by other Departments. This wide purview showed how busy was Mr. Peter Thorneycroft. But Sir Richard did hope that it were possible for the Minister, despite his present pre-occupations on the Restrictive Practices Bill, to sponsor an amendment in regard to the proviso contained in Section 161 (1) of the Companies Act, 1948! Sir Richard referred to the wonderful services that Earl Attlee had performed for the poor in the East End of London, as Deputy Prime Minister during the War to Sir Winston Churchill, and as Prime Minister of the first post-war Parlia-

ment. Sir Richard had served, like Earl Attlee, in Gallipoli in the first World War—they were in a very disorganised committee there, compared with that on which he had served with Mr. Thorneycroft.

**The Study of Company Finance—I**

IN HIS SPEECH at the dinner of the Society of Incorporated Accountants on May 15, further reported in the preceding Professional Note, the President of the Board of Trade announced that the Board are to continue work now being done by the National Institute of Economic and Social Research on company finance. As part of its work in the analysis of company accounts, the National Institute is inquiring into the sources and use of funds by public companies in the United Kingdom during the years 1948–1953. The President of the Board of Trade said that it was important that this pioneer work by the National Institute should be carried beyond the year 1953 and it had been decided that the Board would continue it. A regular statistical series would be published in the *Board of Trade Journal* to keep up-to-date the information for the years 1948–1953.

The study by the National Institute, he said, would add appreciably to knowledge of the extent of self-financing by companies and their dependence on external sources for funds; the degree in which these external sources are banks, issued capital and loan capital; and the uses made of the funds in re-equipment and in the financing of stocks.

Complete results of the study by the National Institute were not ready yet, said Mr. Thorneycroft, though a preliminary article had appeared in *Accounting Research* (the journal of the Incorporated Accountants' Research Committee) in 1953. This article (in Volume IV, No. 4, October, 1953, pages 291–317, written by Mr. Andrei Luboff on behalf of the National Institute) gave the results of a pilot survey into the accounts of two industrial groups, paper and hosiery, for the period 1947–1951 and was intended to establish the lines the main inquiry would take. It provided valuable material on the sources and uses of funds in the two industries. It is welcome news that similar material for industry as a whole, obtained from the mass of published accounts —some 3,250 in all—now analysed by the National Institute, is to be made continuously available.

**The Study of Company Finance—II**

THE RESULTS OF another piece of research stemming from the analysis of company accounts by the National Institute of Economic and Social Research have just appeared. These results are presented in another important article by Mr. Andrei Luboff, entitled "Some Aspects of Post-war Company Finance." The article appears in *Accounting Research* for April. For those who are interested in social accounting, in the methodological approach to analyses of company accounts or in deductions about the real world of company financing to be made from these analyses, the article is compulsory reading.

Perhaps the most significant part of the article—which, however, contains many other original and useful presentations of reports of company finance—is its comparison between the quarterly company statistics of *The Economist*—the data upon which Mr. Luboff worked—and those published in the annual Blue Books on the National Income. In the seven-year period 1948–54, the profits earned by the companies included in the sample of *The Economist* made up about one-half of the profits earned by all companies in this country. But there were included profits earned by oversea subsidiaries and these were excluded from the national income calculations. Again, financial companies are excluded by Mr. Luboff, but are included by the Central Statistical Office in the Blue Book estimates. In the main *The Economist* takes for its sample large and medium-sized public companies whose shares are quoted on the Stock Exchange. And, as Mr. Luboff quickly points out, there is no reason to believe that such companies behave typically of companies as a whole. However, in comparing the figures at which he arrives with those given in the Blue Books "there appears . . . no reason to doubt that each set of figures gives a true picture of what each purports to describe."

Allowing for statistical shortcomings, two general points emerge from the comparison. First, companies in *The Economist* sample, heavily weighted as it is by the experience of the bigger public companies, showed over the period a steeper rise in profits than that reported by the companies included in the Blue Book estimates. Second, while the Blue Books suggest that companies were able to finance investment from retained profits, the companies in *The Economist* sample financed from retained profits only about two-thirds of their new investment in fixed assets and stocks and thus had to have recourse to the capital market.

The statistical differences between the two sets of data, tantalisingly enough, do not seem to resolve entirely the problems raised by Mr. Luboff's comparison. One large unanswered question is whether the large and medium-sized companies, which certainly have easier access to the capital market than the smaller ones, prefer to raise new capital rather than to rely on self-financing alone. Does a difference in the size of the business mean a different attitude towards the sources of finance and investment? It would certainly seem from the article that it was the larger concerns that secured the biggest increases in profits—yet it was also these firms that refrained from financing all their investment outlay from their internal resources. Certainly the subject of size in British business needs examining and Mr. Luboff deserves thanks for having thrown open, in this skilful article in *Accounting Research*, one of the paths towards this further research.

**Accountants' Fees**

IN HIS ADDRESS at the annual general meeting of the Institute of Chartered Accountants in England and Wales, Mr. W. S. Carrington, F.C.A., the President, spoke of the nation-wide effects of high taxation and, specifically, the effects upon practising

accountants. They were, he said, at the mercy of ever-rising costs, particularly salaries and travelling and hotel expenses. The rise in costs constituted, in his view, a more than adequate reason for a revision of professional fees. He continued:

> Even where fees were settled only two or three years ago, the increase in costs since then has been such as to merit a material uplift in our scales of charges. Our clients must know this only too well from their own experience in conducting their businesses.

Many accountants, continued Mr. Carrington, were finding it difficult to supply the working capital to finance work-in-progress and outstanding charges. He suggested that a palliative might sometimes be secured by arranging with clients for payments on account:

> Where the work on audits or other matters extends over a lengthy period, I consider that the accountant should be entitled, without any loss of dignity, to apply for payment on account as the work proceeds.

Mr. Carrington thought that the time had come when a really determined effort should be made to have the Finance Acts drafted in language readily understandable by those concerned with computing tax liabilities or advising clients on tax issues. The number of skilled man-hours which must be spent every year in wrestling with the complex legislation was incredibly large and from an economic standpoint it was wasted time for the nation. He hoped that the Chancellor would accept the advice of the Royal Commission that there should be an expert review of the avoidance provisions of tax legislation to ascertain how it might have been drawn too widely for its purpose and to recommend modifications to make it briefer and more precise.

### Approved Auditors of Friendly Societies

APPOINTMENTS AS Approved Auditors of friendly societies have been for an indefinite period, subject to three months' notice of termination either by the Treasury or by the auditor himself. The conditions of appointment have now been revised to provide that the Treasury may dispense with notice "in any case where they deem it appropriate to do so."

The scale of maximum fees previously laid down that if the aggregated receipts and payments of a friendly society exceeded £6,000, £2 2s. 0d. should be added to the fee for every £2,000 of aggregated receipts and payments, up to a total of £20,000. This provision has been amended under the revised conditions so that the additional £2 2s. 0d. applies for every £2,000 of aggregated receipts and payments "or part thereof" in excess of £6,000 and up to £20,000. Similarly, if the aggregated receipts and payments of a collecting society exceed £1,000, £2 2s. 0d. was previously added to the fee for every £1,000 of aggregated receipts and payments up to £20,000: the addition to the fee is now made for every £1,000 "or part thereof" of aggregated receipts and payments in excess of £1,000 and up to £20,000.

### Streamlining the Public Trustee Office

INCREASING COSTS MAKE it difficult for the Public Trustee to avoid an annual deficit on his trustee work. In particular, work on the smaller estates, which he cannot refuse to administer, is quite uneconomic; over one-half of the trusts in his care have a gross value of less than £5,000 and they are all administered at a loss. Further, he is disadvantageously placed in obtaining new business, and other corporate trustees—banks and insurance offices—are obtaining a share of the trustee work that is progressively increasing.

These facts led the Committee of Enquiry into the Public Trustee Office, which reported last month (Command 9755, H.M. Stationery Office, price 1s. 3d. net) to recommend that there should be an Exchequer grant to cover the loss incurred in administering estates up to £3,000 in value—this figure was suggested as that under which no estate duty is chargeable—and to propose, in the interests of economy, the amalgamation of the Manchester office with the main London one. Further, while the financial position of the Public Trustee's Office remains what it is, there can be no question of advertising on a commercial scale:

> Further consideration needs to be given to the question of how best he may bring his facilities to the notice of potential clients whose business will be a source of profit to him. It should be possible for the appropriate Department to plan a carefully thought-out campaign specifically designed to achieve this object.

In order to protect the Consolidated Fund, which is liable to make good any breach of trust committed by the Public Trustee, his trust accounts are at present audited by the Comptroller and Auditor General:

> In effect, therefore, the Government is insuring the Public Trustee at his expense against claims made by his beneficiaries at a present annual premium of over £7,000.

The Committee of Enquiry finds that other checks give sufficient safeguards for the official audit to be cut down; the Comptroller and Auditor General himself said that he would not object to a modification in the audit of distribution accounts "provided they were checked by professional advisers." It is recommended, therefore, that accounts so checked should be sent to the Comptroller and Auditor General as heretofore but that he should examine only an undisclosed proportion of them. Later, says the Committee, it may be found possible to dispense entirely with the official audit of the trust accounts, except at the request and expense of the beneficiaries, but to do so would necessitate an amendment of the Public Trustee Act of 1906.

The Committee puts forward a simplified structure of fees for work done by the Public Trustee. In future there should be only an acceptance fee, as at present, and—in place of the withdrawal or distribution fee, the income fee and various management fees—a single management fee at an annual rate, not exceeding 5s. per £100 of the capital value of the trust property, to be fixed at the beginning of each financial year to cover the

estimated expenses for that year. The management fee, like the acceptance fee, would be paid out of capital. The change which this revision would imply in the apportionment of the burden between capital and income would require legislation. Among the advantages given for the revised fee structure are that it would make it possible for the Public Trustee to balance his accounts annually, would avoid the elaborate calculations of fees now necessary, would dispense with frequent Statutory Instruments changing the fees and would be fairer in incidence. Further, it would make a more favourable comparison with the charges levied by commercial trustees. But while the Committee agrees that for trusts of short duration the present fees of the Public Trustee may be higher than those of other corporate trustees, for those of longer duration the fees, when worked out in detail, "prove to be but little higher—in some cases even lower—than those of the banks."

In the submission of evidence by the Society of Incorporated Accountants to the Committee (see ACCOUNTANCY for June, 1955, page 203) it was stated that the Council of the Society was "aware that the form of accounts presented by the Public Trustee differs considerably from that in general use and feels that this is a matter worthy of critical examination." Unfortunately, the report of the Committee makes no mention of the form of the Public Trustee's accounts.

**Tax Relief on Trust Capital—**

THE COURT OF APPEAL has decided in the case of *In re Pelly's Will Trusts* that a tenant for life under the Settled Land Act, 1925, is under no obligation to account to his trustees for income tax reliefs. This reverses the decision of Mr. Justice Wynn-Parry reported in ACCOUNTANCY for January, 1956 (pages 3–4). The lower Court had held that, as a life tenant under the Settled Land Act is in the position of a trustee, he must not profit from a trust by retaining tax reliefs relating to expenditure financed by trustees out of capital monies. That ruling created a number of difficulties, particularly in calculating the relevant proportion of relief for maintenance and that for capital expenditure, based on the statutory average expenditure of five and ten years. Furthermore, it was found that private estate companies, not possessing the fiduciary status of the tenant for life in relation to trustees of settled land, were not affected by Mr. Justice Wynn-Parry's decision, and were free to keep tax reliefs on improvements.

However, the air has been cleared now that the Court has allowed the life tenant's appeal in the recent case. The decision will be welcomed by beneficiaries of settled land, many of whom are obtaining substantial reliefs from income tax and surtax under Sections 101 and 314 of the Income Tax Act, 1952, even though their trustees have borne the expenditure. It is worthy of note that the Master of the Rolls emphasised that the appeal was on a case in which the cost of the improvements had been incurred in the first instance by the tenant for life, and reimbursed later by the trustees. It is difficult to see why the situation should be different if the trustees had paid for the work in the first place, but if they wish to be certain of retaining the tax reliefs on the expenditure, life tenants will clearly be well advised to bear the cost in the first instance and then to reclaim it.

**—But Another Tax Anomaly?**

NOW THAT THERE is judicial authority for the view that trustees are not concerned with a life tenant's tax affairs, another income tax point needs elucidation. Section 47 of the Settled Land Act provides that a tenant for life must treat as capital certain proportions of any mining royalties he may receive. If he is "impeachable for waste" under the settlement, he must pay to the trustees three-quarters of any such royalties; if he is not impeachable, then the capital proportion is one-quarter. In spite of this recognition of the capital element in the royalties, they are normally received under deduction of income tax. Will trustees now attempt to apply the *Pelly* case in reverse, and claim to be reimbursed a percentage of the gross royalties even though they were taxed at source and received in the form of net income?

**Accountants as Business Doctors**

PRACTISING ACCOUNTANTS have missed their opportunity of acting as "business doctors." Most of them have not considered it part of their job to advise on the management and organisation of a business, or even on its internal accounting, except for the limited range of questions directly related to the audit or to financial accounting. Even if they were willing to practise "company medicine," practitioners are often not conversant with up-to-date techniques and could not give useful advice. So runs the gravamen of the charge levied against the profession by Mr. H. W. Inglis, A.S.A.A., F.C.W.A., in a paper with the title "Investigations and Reorganisations" read at the recent South-West Regional Conference of the Institute of Cost and Works Accountants.

The average over-worked and sufficiently competent practising accountant will have to take this knock, grin wryly and bear it. Mr. Inglis is undoubtedly right, except that it is perhaps a mistake to imply that all is lost. There remains so much scope in investigating the efficiency of businesses and setting them aright, that it is not impossible, even now, that firms of practising accountants will develop these functions on a significant scale. And, as Mr. Inglis himself pointed out, the other specialists in this work suffer from some disabilities. The industrial and management consultant frequently starts with no background knowledge, in any detail, of the organisation he is to investigate. His assignment comes to an end and he is no longer present to see that the routines he has installed operate properly. The systems adviser, for his part, is usually interested in selling a particular device. He can be an invaluable adjunct to other investigating agents but should be used rather as servant than master: while he will have an intimate knowledge of the machine, he may be only cursorily acquainted with the problems to be solved. The most suitable agency, internal to the business, for

# NOW...

## A low-price Burroughs machine for complete mechanized accounting!

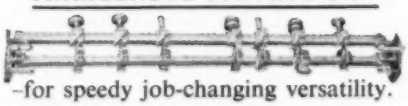
### *THE NEW DIRECTOR*

THIS LATEST ADDITION to the long line of Burroughs machines—the Director Accounting Machine—enables any business to realize fully the advantages of mechanized book-keeping. A combination of modern features—including a full keyboard date, permitting rapid date-changing, and simple front-feed form insertion—distinguish the Director as a most efficient machine.

So low in price that even small accounting jobs can be mechanized, this machine is of exceptional value to the smaller business—or for the larger firm requiring a number of accounting machines. See it right away—call your local Burroughs office today.

Burroughs Adding Machine Ltd., 356-366 Oxford Street, London, W.1.

**CHANGEABLE CONTROL UNIT**



–for speedy job-changing versatility.

**Flexibility of form design**

With its adjustable form guides, the machine is adapted to the form, not the form to the machine.

**Converts to an adding machine**

A flick of the listing key converts the machine from book-keeping to listing operations.

***STREAMLINE YOUR ACCOUNTING WITH***

**Burroughs DIRECTOR ACCOUNTING MACHINE**

# METROPOLITAN COLLEGE

**SPECIALISED TRAINING**
for the examinations of the
**INSTITUTE AND SOCIETY**
**Association of Certified and Corporate Accountants**
**Institute of Cost and Works Accountants**
**Chartered Institute of Secretaries**
**B.Sc.Econ. & LL.B. (Lond.)**

**FELLOWSHIP IN MANAGEMENT ACCOUNTANCY**

The Metropolitan College provides expert postal tuition for the above examination, which is held by the Institute of Cost and Works Accountants. Full particulars on application.

**Established 1910**

At the C.A. and S.A.A. Examinations Students of the Metropolitan College have gained more than

**9,250 SUCCESSES**

and more than 350 HONOURS, Prizes and Medals including

**56 FIRST PLACES**
**38 SECOND PLACES**
**65 Third and Fourth Places**

★ ★ ★

★ WRITE TODAY for a free copy of the College "Accountancy" Prospectus to the Secretary (A3), METROPOLITAN COLLEGE, ST. ALBANS, OR CALL: 30 QUEEN VICTORIA STREET, LONDON, E.C.4. (Telephone: City 6874).

**METROPOLITAN COLLEGE**
**ST. ALBANS**

TAXATION

THE LEADING AUTHORITY

First published on October 1st, 1927, *Taxation* has served the taxpayer and his advisers for over *twenty-eight years*

# TAXATION

*brings to you WEEKLY the latest news of*

TAX CONCESSIONS : CHANGES IN PRACTICE : REPORTS OF TAX CASES
ARTICLES OF TOPICAL INTEREST

*in addition*

**YOUR PROBLEM WILL BE SOLVED IN FIGURES**

*Read* TAXATION
*Edited by* RONALD STAPLES

PRICE **1/3** WEEKLY
Subscription: £3 5s year, £1 14s half-year

TAXATION PUBLISHING COMPANY LIMITED, 98 PARK STREET, LONDON, W1

carrying out the work is the "O. and M." unit. But its members may not have all the specialised skills needed of an investigator and reorganiser, and usually it would be unwise to set them to inquire into top management.

The various specialists outside the firm of practising accountants may, however, possess certain advantages over the accountant. If a management consultant is very carefully chosen, specialist knowledge of the particular problems to be solved in the ailing business can almost always be obtained. The "O. and M." unit remains permanently on its one job, but may manage to keep abreast of current techniques: its members can absorb the background and identify the real problems for solution.

These problems resided, continued Mr. Inglis, in such areas as the relationships between various executives and the scope of their authority; the manufacturing efficiency of a business, which could be improved by payment by results, better production flow methods, new machines; and administrative, clerical or commercial methods, which could be rendered more economical by appropriate re-planning.

For success, the investigators must prepare the ground properly beforehand; if necessary a preliminary survey should be made for the benefit of the management. The managers had the responsibility of clearly defining the aims of the investigation and laying down its terms of reference. They must give it full support and see that full information was forthcoming. Decisions must be reached promptly after the report of the investigation had been submitted and action to implement the decisions must then be taken and systematically followed up. On their side, the investigators must do their job with the minimum disturbance to the business. Prompt and regular reports must be made to the management, in agreement as far as possible with the staff who would have to carry through any reforms.

**The Association's Membership Dues—**

THE MAIN BUSINESS before the members of the Association of Certified and Corporate Accountants at the annual general meeting held recently was to consider proposed increases in the membership subscriptions. The increases were agreed. The retiring President, Mr. W. Macfarlane Gray, F.A.C.C.A., explained in his address that the deficit of nearly £6,000 shown in the accounts for 1955 was ascribable mainly to higher expenses of the general establishment and administration, to larger grants passed to the branches and district societies, and to the cost of the annual conference in Edinburgh last year, which was in a sense a continuation of the Golden Jubilee celebrations for the benefit of the Scottish members. In future years expenses could hardly fail to increase further, continued Mr. Macfarlane Gray: in particular when the Association moved from 22 Bedford Square ("and it may be that this year will provide the opportunity to do so") it would be faced with a much higher charge for premises.

**—And its Presidency**

IN SUCCESSION TO Mr. Macfarlane Gray, whose tenure of the Presidency of the Association has been a memorable one—particularly because of the distinguished way in which he presided over the Golden Jubilee events —Mr. Alan Charles Shipley Meynell, F.A.C.C.A., has been elected President for 1956/57. Mr. Meynell became a member of the Association in 1926 and started to practise in the City of London in 1927. He was elected to the Council of the Association in 1950. Until last year he was a member of the Friern Barnet Urban District Council and had been its chairman in 1942 to 1944. The new Vice-President is Mr. William Jackson, F.A.C.C.A., senior partner of the firm of William Jackson and Co., of Glasgow.

**The Irish Budget**

IN HIS BUDGET statement to the Dail last month, Mr. Sweetman, the Minister for Finance, announced increases in taxation, estimated to provide £5.7 million a year, to meet an estimated deficit of £5.3 million on a total expenditure put at £118.8 million. The increases in taxes were:

1. An additional 5d. on the standard packet of 20 cigarettes, raising the price to 2s. 10d., and an additional 6d. per ounce on tobacco.
2. An additional 6d. per gallon on standard petrol, raising the price of the No. 1 grade to 4s. 3d., with exemptions for agricultural tractors and certain heavy transport.
3. An increase of ½d. per box for matches; the new price is 2d.
4. An increase of 1½d. per pint bottle for table waters.
5. The betting duty to be increased by 2½ per cent. for bets in bookmakers' offices, a stamp duty of 2½ per cent. on racecourse bets with bookmakers and a stamp duty of 5 per cent. on bets on the totalisator. These increases come into effect on July 1, 1956.
6. Re-imposition of the previous tax on dances.

The Minister also announced some reliefs:

1. An initial wear and tear allowance of 20 per cent. for plant and machinery purchased on or after April 6, 1956, for use in a trade.
2. The first £25 of bank deposit interest to be exempted from income tax.
3. An increase of £10 in the personal income tax allowances for married persons and a similar increase in the dependent relative allowance.
4. An extension of the income tax allowance for children to children adopted in the year in which they are born.
5. The removal of the present 25 per cent. stamp duty payable by non-nationals on the purchase of property, except that duty is still payable at 25 per cent. on purchases of agricultural land by non-nationals.

Mr. Sweetman also referred to certain amendments in life assurance relief, to increased State pensions and proposed increases in Social Insurance benefits. The Post Office is to make increases in charges to meet a deficit on its services.

The Minister stated that there was a deficit of £35.5 million in the Irish balance of payments last year, the result of a large rise in imports, accompanied by a decline in exports. The deficit was financed almost

entirely by the realising of external assets by the banks. The recent imposition of a levy on less essential imports and the restrictions placed upon hire purchase transactions were designed as correctives and the Budget should also assist.

**Enormous Capital Expenditure on Coal**

LAST MONTH THE *National Coal Board* published its plans for capital expenditure. The figures are staggering and their implications disturbing. Total investment over the sixteen year period from 1950 to 1965 is now estimated at £1,380 million at current prices. In 1950 it was estimated that £635 million (at 1949 prices) would be spent over the same period. A total of £590 million is planned to be spent in the next five years, £410 million in 1961–65 and about £400 million in 1965–70. The increase in the earlier figures is the result of modifications of schemes in construction, the addition of new schemes, under-costings in the original plan and the rise in prices since 1949—the last of these factors has added £300 million to the original estimates of work still to be done. Small wonder that the Commons was critical last month of the demand for raising from £300 million to £650 million the amount that the Board can borrow from the Treasury!

The outcome of this vast capital programme is that the amount of coal estimated to be got in 1965 is exactly the same as was estimated under the much smaller plan of 1950. At 240 million tons, that total is an increase of less than 10 per cent. in the output achieved last year (221.6 million tons). It is true that seams are becoming depleted and that it becomes more difficult to win coal as workings are extended, so that capital expenditure is in any event necessary to maintain the output of the pits. It is true also that much leeway has to be made up for the years before the war, when capital re-equipment was sadly neglected. Yet much of the additional capital is needed by the Board because it has had to give up its earlier assumption that the attendance rate of miners and other workers would improve by 2½ per cent. and because, although its present estimates take a labour force in 1965 considerably larger than was taken in the earlier estimates, it is nevertheless assumed that manpower will have contracted by some 32,000 over the next ten years. Clearly, the cost, in terms of capital expenditure, of not improving the attendance rate and not securing additional manpower for the industry, is extremely large. One remains in some doubt whether enough attention has been given to the alternative of paying money on current account in the building up of manpower and reduction of absenteeism: quite large sums might be spent economically in this way if capital expenditure were thus avoided.

It is also to be noted that, despite the improved methods of working that will be made possible by the proposed capital expenditure, the cost of producing a ton of coal is expected to be higher ten years from now (at the present level of prices in general) because of the large capital charges that will have to be borne.

**Stock Market Statistics**

THE APPEARANCE of the second annual volume of *Interest and Dividends upon Securities Quoted on the Stock Exchange, London*, again impresses one with the amount of labour the House is prepared to take in producing these statistics. During 1955 the nominal value of stocks and shares covered rose by some £900 million and the average yield on this nominal value increased from 4.64 to 4.88 per cent. But if yields are related to market values at mid-year they fell on the average from 6.01 to 5.13 per cent. The total of interest and dividends before tax rose by £102 million on the year to £1,224 million; there was a rise of £78 million in Ordinary dividends alone. However, it is quite clear that the total of all gross receipts from Stock Exchange securities, let alone the receipts after tax, was not a very large item in the national revenue and that a large proportion of it never reached the pool of personal disposable income. The compilers make what can only be a guess that the largest possible sum that could have flowed into the pool was £590 million—and some people believe that they have set their figure high.

When the Council of the Exchange has gone to so much trouble and expense in compiling these statistics for public consumption—and when the salient and sobering conclusion is that the appreciation in Ordinary capital last year was only some £550 million while fixed interest securities fell by about £2,350 million, so that stocks as a whole showed a fall in value of some £1,800 million—it may seem ungracious to suggest that much more attention ought to be paid to market values than to nominal values. Another reflection induced by perusal of the booklet is that it is high time serious thought was given to getting out figures of turnover on the stock market. Admittedly, the task is one of considerable magnitude, as the nominal value exceeds £25,000 million (after certain exclusions, discussed in these columns in May, 1955—page 165).

**The Work of the Business Economist**

WHAT DOES THE business economist do? Sceptical accountants may be tempted to give a short negative answer to this rhetorical question. But in fact during the last generation the economist in business has acquired high status and has taken on work essential to industrial efficiency. The reasons for his emergence in this position of importance derive, according to Mr. A. R. Smith, head of the Intelligence Department of *Imperial Chemical Industries*, from the change in economic philosophy, which has led to much greater intervention by government in economic affairs and to a realisation by business managers that decisions about sales, prices, production schedules, plant expansion, acquisitions, new products, inventory policy and other key factors are increasingly influenced by economic considerations external to the business. In the United States there were in 1930 probably no more than 100 professional economists employed in business, says Mr. Smith (in a paper *The Business Economist and Management*, read at the North - Western Management

Conference of the British Institute of Management and the Industrial Institute of Administration recently). Today there are about 1,500, and some 40 per cent. of the 13,000 professional economists in the United States are engaged in government services and business taken together. According to Mr. Smith, the expansion in the number of economists so engaged in the United Kingdom has been of comparable order.

The basic functions of the business economist, continues Mr. Smith, are the routine supply of factual economic information; the provision of pre-digested background surveys for use by other departments of the business; economic appreciation, or the interpretation of economic conditions and prospects; general economic forecasting; sales forecasting ("he may be given full responsibility for the detailed forecasts which are subsequently incorporated in the sales budget"); and the application of economics to technology, by which the economist blends his specialist training with a detailed knowledge of the operations of his concern. The economist may be employed in a functional department where he uses his specialist knowledge to assist in the solution of the problems of the department in purchasing, production planning, or some other specific segment of the business. Or he may be engaged in an economic intelligence department, providing services for the rest of the business. Or he may be working in a specialist department concerned less with economic intelligence than with specific research directed to forecasting of a particular kind—on sales, markets, materials, supplies, and so on.

Mr. Smith illustrates by reference to the economic work of Imperial Chemical Industries. The company is so large, however, that it is hardly typical. It has, in addition to an economic staff attached to the various manufacturing divisions, a central economic department employing nearly sixty people. This department produces a monthly series of economic indicators, covering about twenty oversea countries; circulates the results of research done by the economic staff; makes general studies on economic topics such as convertibility and tariff negotiations; makes special inquiries—on, for example, the motor industry in the national economy or consumer preferences in wall finishes; surveys economic and marketing conditions abroad; undertakes commodity studies and collaborates with manufacturing divisions in research on special problems; advises buyers on trends. Further, much of the high-level work of the economist is in the borderland of economics, on such topics as industrial organisation and management, profit sharing, wage negotiations, the control of monopoly and restrictive practices, automation, productivity.

Mr. Smith recognises that the economist is still often regarded with suspicion by business men, "more especially by those trained in the more rigorous disciplines of science and engineering." But the business economist does not live "in a world of elaborate theories that side-step the difficulties of the business world," as do some academic economists. Nevertheless, Mr. Smith is concerned not to pitch the claims of the professional economist too high, being warned by the example of "some of the more enthusiastic advocates" of recently-developed techniques, such as work study, operational research and management accounting, who have "overcalled their hands." At this point, Mr. Smith gives an especially vigorous side-kick at management accounting. That the business specialist should be modest in the claims of his specialism is good, but we hope that at some other time, when he has scope to develop the point, Mr. Smith will explain at length and in detail the ways in which too much has been claimed for management accounting.

# Shorter Notes

**Pakistani Accountants in New Zealand**

The New Zealand Government offered to assist in training accountants from Pakistan who are urgently needed in the development of that country. As a result, nine senior Pakistani accountants are now working in New Zealand under the Colombo Plan. New Zealand has also offered to establish training facilities for accountants in Pakistan. The New Zealand Society of Accountants and other professional bodies are supporting the scheme.

**New Office Holders of the American Institute**

Mr. Marquis G. Eaton, a Certified Public Accountant of San Antonio, Texas, has been nominated as the next President of the American Institute of Accountants. Mr. Eaton is a partner in the firm of Eaton and Huddle of San Antonio. He has previously been President of the Southern States Accountants' Conference. Mr. John L. Lawler, previously editor of *The Journal of Accountancy*, and Mr. Hildreth T. Winton have become assistant directors of the American Institute. Mr. Charles E. Noyes becomes editor of *The Journal of Accountancy*.

**Accounting Theory in U.S.A.**

A paper on *The Development of Accounting Theory in the United States* will be given at a Stamp-Martin seminar at Incorporated Accountants' Hall on June 7 at 6 p.m., by Professor B. C. Lemke of the College of Business and Public Service, Michigan State University. The seminar is open to all who are interested but they are asked to inform Mr. T. W. South, Secretary of the Incorporated Accountants' Research Committee at Incorporated Accountants' Hall, of their intention of attending.

**Prizewinning Accounts**

The annual awards of *The Accountant* for 1956 for the best published accounts have been awarded to *Associated Electrical Industries Limited* and *Folland Aircraft Limited*. We comment on the accounts of the two prizewinners in our feature "Points from Published Accounts" on page 234.

**E.P.T. Refunds Panel**

The Excess Profits Tax Refunds Advisory Panel, set up in September, 1946, has been dissolved. The panel advised on permitted uses of refunds when they were not employed in the original business by the person carrying on the business or in the event of a change of ownership. It also inquired how refunds had been dealt with, to ensure that the statutory undertakings were observed. More than 13,500 applications, involving £260 million in refunds, were

considered by the panel, and it received about 6,000 enquiries. Its Chairman was Sir William Coates, LL.B., B.SC., PH.D., and two of the members were Mr. Richard A. Witty, F.S.A.A., a Past President of the Society of Incorporated Accountants, and Mr. W. L. Barrows, F.C.A., a member of the Council of the Institute of Chartered Accountants in England and Wales.

**New Hospital Costing System**

Our Shorter Note last month (page 164) stating that a new costing system for hospitals had come into effect was, we regret, slightly premature. It was based upon a Press report which had become garbled. While hospital authorities are being asked to undertake the necessary preliminary work on departmental and unit costing during 1956/57—including, where required, the pricing of issues from stores and the appointment of additional staff—departmental costing, to the extent recommended by the recent working party as an initial step, is not to be in operation until 1957/58. The information is given in a special report from the Committee of Public Accounts for the session 1955/56.

**Defalcations in Trustee Savings Banks**

An increase in the number of defalcations in Trustee Savings Banks, and in the total amount of money involved, has caused the Trustee Savings Banks Inspection Committee to send to the auditors of all savings banks, as well as to the actuaries of the banks, a memorandum showing the methods employed by defaulters during the last five years and giving recommendations about safeguards. In announcing this step in its last annual report, the Inspection Committee also says that the extra work and expense that the additional safeguards will involve must be incurred.

**Stamp-Martin Lecture**

Professor F. Sewell Bray will give the next Stamp-Martin lecture at Incorporated Accountants' Hall on June 14 at 6 p.m. The title of the lecture is *Capital Changes*. Admission is free to all and no ticket of entry is required.

**Money Rates and the Building Societies**

The *Building Societies Association* recommends that despite the Budget there should be no change in existing rates on shares or deposits. In comparing the rates with those on other forms of savings, it says, account must be taken of the fact that building societies pay on behalf of their investors income tax on the whole of the interest and provide facilities for withdrawal at short notice. Full rates on some other forms of savings are obtainable only if the money is invested for a period of years and the total holding is frequently limited to a relevantly small amount. The Association considers that 5½ per cent. per annum should be the minimum rate on all new mortgages—this rate is now charged by many societies to new borrowers. The recommendation does not affect existing borrowers.

**"Taxation" Conference at Edinburgh**

Our contemporary *Taxation* is to hold at Edinburgh from September 28 to October 1 the sixth in its successful series of annual conferences. A very full programme of papers and social events has been arranged.

**Commerce and Technology in Wedlock**

In affirming that "accountancy, costing and salesmanship, commercial skills of all kinds . . . are no less important to a great trading nation than mechanics or the study of materials," the recent White Paper on Technical Education was to be wholeheartedly welcomed, said Mr. A. K. Brown in his Presidential address to the *Association of Teachers in Technical Institutions*. It was not sufficiently realised, he added, that technology and commerce were complementary. He went on to deplore that no body analogous to the University Grants Committee had been set up for the Colleges of Advanced Technology and that no suggestion had been made for relieving local authorities of a larger part of their responsibility for teachers' salaries and other expenditure on further education.

**Britain Paves the Way for Self-Employed**

Britain is the first major nation in the world to allow the self-employed to make provision for pensions out of untaxed income, says Sylvia Porter, the well-known American journalist, in a column syndicated throughout the United States. For a decade, there has been agitation for similar legislation in the United States and even now there are Bills in the House of Representatives sponsored by members of both parties. Will Treasury Secretary Humphrey follow Chancellor Macmillan? Says Sylvia Porter, "Britain's pioneering move is bound to stimulate action."

**Maintaining Industrial Plant**

Top executives are usually careful to have their own cars serviced regularly. Yet many of them do not operate a set programme of maintenance of their industrial plant. In a pamphlet *Plant Maintenance* published by the British Productivity Council (B.P.C. Case Studies, No. 2, price 2s. 6d. net), diverse schemes working in different industries are described in detail. They cost time and money to install and operate, but it is shown that they bring good financial returns.

**Work Study**

An introduction to work study for the non-specialist is published by the British Institute of Management under the title *Outline of Work Study* (Part 1) at 3s. 6d. net. It is a companion booklet to one already issued on methods study and another to be published soon on work measurement. It shows how work study can be applied not only to repetitive operations but also to jobbing, maintenance and other non-repetitive work. A valuable feature is a full bibliography.

**Merging Income Tax and Profits Tax?**

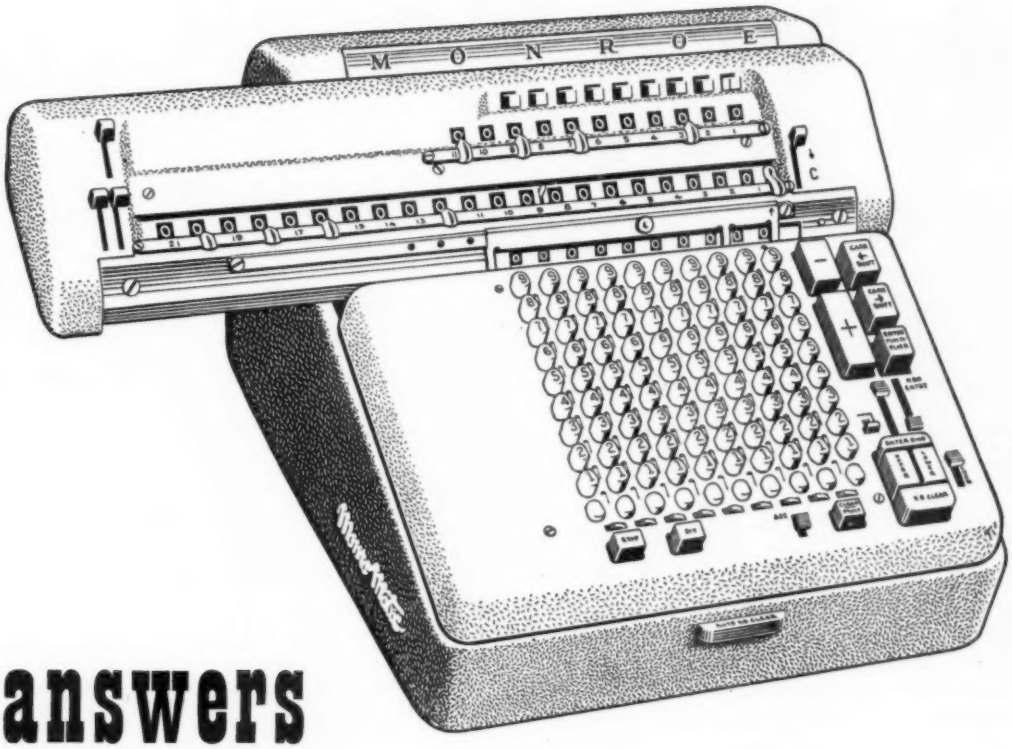
The profits tax requires to be computed separately from income tax but essentially is charged on the same income. Loss of working time, both of officials and professional men, is thus caused. Further, much legislation and case law could be avoided by merging income tax with profits tax. These points were put forward by Mr. James Wood, A.C.A., the President of the *Institute of Taxation* at its annual general meeting last month. Profits tax, a legacy of 1937, he added, was long out-dated and even at the cost of some additional income tax on companies, it ought to be abolished.

**Another Attempt at Public Accountability**

Another Select Committee of the House of Commons is to have the task of examining the reports and accounts of the nationalised industries. The auguries that it will be more successful than previous attempts to solve the problem of public accountability are not, however, favourable (see ACCOUNTANCY for March, 1954, page 86 and for January, 1956, page 6).

**New H.P. Association**

An *Industrial Bankers' Association* has been formed. It is intended that members of the new association will be hire purchase concerns excluded from the Finance Houses Association because their hire purchase business is not on a sufficiently diversified or a national scale. Members will have to meet a number of conditions of a financial kind.




# all the answers

Monroe's latest model — the streamlined and simplified 6N — brings all the advantages of fully automatic figuring within the reach of every business office. Fast, accurate and versatile, the new Monroe 6N provides just the right automatic features for the nature and volume of work required in the average business organisation. Here is a brilliant 'all-rounder' for general purpose figuring — a time and labour saving machine that makes the minimum demands on capital outlay and operational skill.

Monroe

*Monroe Calculating Machine Company Limited,*
*Bush House, Aldwych, London, W.C.2.*
*Telephone: Covent Garden 0211*

MONROMANTIC
EQUATION No. 7

*Miss Monroe's so smashing,*
*So daring and dashing,*
*You'd never believe she could tackle a sum!*
*The true explanation's*
*A simple equation . . .*
*A Miss plus a Monroe's as cute as they come!*

# 4 WAYS

## TO BEAT THE SQUEEZE

**The new Anson Mercury Recorder will provide an effective answer to your increasing problem of overheads. Just one writing gives three postings *simultaneously*, saving time and money and yet increasing clerical output.**

**SALES LEDGER WORK** 1. . . . as Statements go out on time money is received on time. Journal and Ledger produced simultaneously.

**PURCHASE LEDGER WORK** 2. . . . tight control of this section will produce maximum discounts and benefits. Remittance Advice, Journal and Ledger in one operation.

**PAYROLL WORK** 3. . . . Anson Payroll will produce savings up to 100% for every £ invested every year. P.9., Payroll and Payslip in one operation.

**STOCK CONTROL** 4. . . . the mountain of wasteful slow moving stock tying up your money is reduced to molehill size, releasing valuable capital.

**ANSON** MULTIPOST ACCOUNTING

COUPON

**GEORGE ANSON & CO. LTD.**

Anson House, 58 Southwark Bridge Road, London, S.E.1.
Tel: WATerloo 3746/9

*Please send full details of the ANSON MERCURY*

NAME..... TITLE.....

COMPANY.....

ADDRESS.....

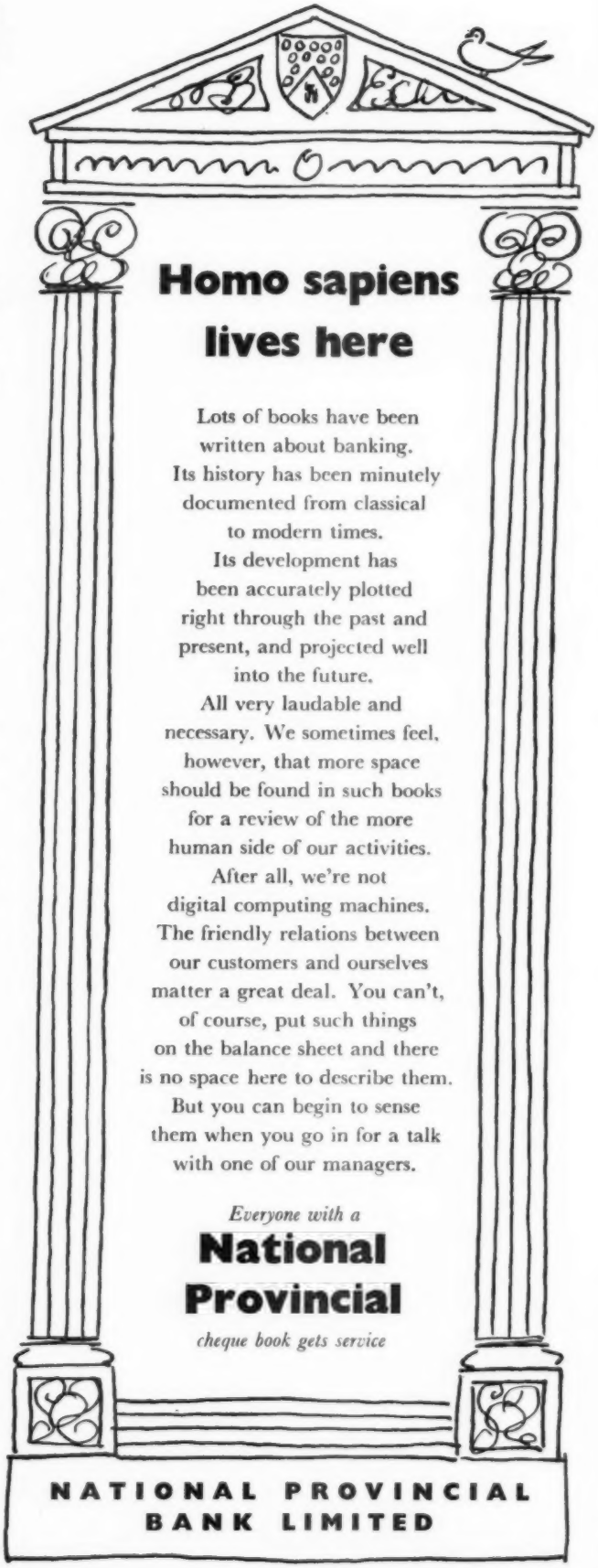
.....

*Please tick applications of interest:*

☐ Sales Ledger
☐ Cash Book and Receipts
☐ Traders' Credit Payments
☐ P.A.Y.E.
☐ Purchase Ledger
☐ Stock Control
☐ Costing
☐ Other applications

A





# EDITORIAL

## Robot Hands and Brains

SINCE the article "Economic Aspects of Automation" appeared in the December issue of ACCOUNTANCY last year, the "swelling tide of articles in the Press and of papers at conferences," to which Dr. Branton referred, has taken on still more magnificent proportions. The Electrical Trades Union has discussed how to protect its members against the "age of the industrial robot." A strike against automation at the *Standard Motors* works has been added to the verbal interchange. The latest contribution to this debate is an official one, a report by the Department of Scientific and Industrial Research (*Automation*, H.M. Stationery Office, 106 pages, 6s. net).

The booklet provides for the uninitiated some fairly simple instruction in what the Earl of Halsbury recently called, in the least prolix definition of automation we have so far discovered, "a contemporary group of independent advances in the field of mechanisation that characteristically employ discriminatory devices and automatic controls." The early chapters describe how automation has been applied in three well-defined directions: in manufacturing operations; in the control of processes; and in the processing of information. In the first of these streams of development, automatic machining, including the electronic control of machine tools, is explained and illustrated, the characteristic application being in engine parts (is it an accident that the first example described is of a factory in the Soviet Union?). Then we are given the ABC of automatic control in the process industries—chemicals, petroleum, cement and so on—where "control" is really only part of the story, "correction" of aberrations or deviations in the processing forming much of the rest of it. In explaining the third line of advance, the booklet enters an area of application with which accountants are somewhat more familiar, even if the great majority of them would confess to having little more than a superficial acquaintance with it.

The two types of electronic digital computer for use in business, those that mainly calculate and those that mainly memorise, are distinguished. The first type, whose work has largely been the doing of scientific and technical sums of great complexity, is now being introduced to routine clerical work. The booklet does not say much about this application; perhaps it is reticent because the Department of Scientific and Industrial Research is about to publish a further report, on the use of these computers in wage and salary accounting. The present report briefly describes the uses of computers of the second type, with a large storage capacity: five applications, four of them American, are illustrated. A lesson that has been emphasised before is driven home:

> Before a large digital computer can be used in an office, existing procedures must be linked with computer programmes. Most office procedures have grown haphazardly and are not yet known in complete detail. This defect must be remedied before staff is trained to "programme" the flow of work . . . this study may take several years in a large organisation, since it involves a detailed analysis of existing clerical and accounting procedures. So far this time-lag has softened the impact of large computers on existing office staffs. But, as experience grows, some accounting procedures will be standardised and will become ready-made routines for computers, which business houses can adopt immediately. The time-lag will be reduced, though probably not eliminated.

Thus one of the factors causing "drag" in the coming in of the robot office is pin-pointed. The report goes on to discuss how more general factors may retard or advance the pace of automation in industry and commerce at large. The discussion strikes one as a collection of qualified platitudes—"there may be a shortage of machinery for automation"; "automation . . . is likely to be slowed down by the . . . shortage of technologists and scientists"; "the tentative conclusions are reached that automation is not likely to displace labour on a large scale, if it is introduced with foresight and planning, and that, if full employment persists, displaced labour can be quickly reabsorbed in other work." The social and economic problems of automation, which are even larger problems than the technical ones confronting the electronic engineers, receive scant attention in this report.

Aside from these large issues and in a much more domestic context, accountants must be concerned at the lack of reliable information that is so far available, whether in the present booklet or elsewhere, upon the practical implications of installing electronic computers in business. Perhaps material on the costings of the electronic office, as compared with the manual or the mechanised one, will not really start to flow until there is a machine available at, say, £20,000 instead of £100,000. So far, only a few pioneers have installed office computers, even in the United States, and the intellectual excitement provoked by the "electronic brain" has by far outrun its practical usefulness. But when the advance of the robot in the office really begins, it may well gather momentum very quickly indeed, and it behoves the accounting profession, by whatever means it can avail itself of, to be prepared for the invasion. In a recent address from which we have already quoted, the Earl of Halsbury, who is managing director of the National Research Development Corporation, after affirming that "automation . . . provides a partial substitute for the brain of the accountant," said that because of the application of computers to mechanised accountancy "the accounts department of 25 years hence will be different in many respects from the same department today." We suspect meiosis here: for "in many respects" read "entirely."

# Unsolved Problems

***The speech of the President of the Society of Incorporated Accountants, Mr. Bertram Nelson, C.B.E., F.S.A.A., at the annual general meeting of the Society on May 16. In the regretted absence of Mr. Nelson through indisposition, the speech was read by the Vice-President, Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. The meeting is reported on page 245.***

AS I COME to the end of my term of office as President of the Society, I keep thinking about unsolved problems. That is my subject this afternoon. I want to talk about three problems to which I can find no ready solution.

**Building for the Future**

The Chancellor of the Exchequer has recently told us that "the most important initiating factor in producing inflation was the upsurge in industrial investment." Action has therefore been taken to slow down expenditure on new factories and new plant. This retarding process, inevitable as it is today, cannot continue for long without serious effects. There are already indications that the rate of increase in industrial production in 1956 will be less than in 1955. Unless industry can build for the future, unless buildings and plant can be steadily increased, there is no hope of even maintaining, let alone improving, our present standard of living.

Of course, investment in plant and machinery was high in 1955 (with an increase of £125 million at 1948 prices or 14 per cent. on the previous year) but it is worth remembering that stocks and work-in-progress increased even more rapidly, being £225 million greater in 1955 than in 1954, largely because of the activity of the metal-using industries. It could be argued that in 1955 we were not being extravagant in our expenditure on plant and that the real problem was that, as consumers, we were trying to live beyond our means, that we were spending too much on the enjoyments of life. Consider the proportion of the national income that is being invested in certain European countries:

| *Gross Fixed Capital Formation* | *Percentage of National Income 1954* |
|---|---|
| United Kingdom | 13 |
| Belgium | 14 |
| France | 14 |
| Italy | 20 |
| Holland | 21 |
| Sweden | 21 |
| West Germany | 21 |
| Norway | 31 |

It has been said that "to some extent these comparisons are unreal, since highly developed countries are unlikely to devote so big a proportion of resources to investment as those at a lower stage on the industrial scale." The concept there seems to be that in this country we have already gone through our major period of industrial development. I am going to predict that the time for the most rapid industrial expansion is, or should be, not in the past but in the future. Remember the extraordinary technological progress that has already commenced. Remember that the increase in the labour force that has taken place in the last three years cannot continue much longer and that we shall be increasingly dependent on the other main factor of production—capital. Remember that the world as a whole is in great need: 85 per cent. of the world's population suffers from malnutrition, and our peace may depend on the speed with which that need can be relieved. Remember, too, the indications that we already have of the needs of some industries for new capital expenditure—for example, £1,400 million for the National Coal Board in the next fifteen years, almost half of that vast sum in the critical period from 1956 to 1960.

My first problem is therefore this—how do we build for the future, how do we provide the capital which will be needed if we are to progress? Of course, the problem is greatly reduced if there can be substantial reductions in Government expenditure and if wage increases can be related to increases in production rather than to price changes. Any adequate solution must, however, look closely at the possibility of increasing savings—genuine savings.

*Savings*

May I here diverge from my main theme to remind you that we seem to run into financial crises, with unfailing regularity, every two or three years? "We all want full employment and we all want stable prices," but the technique of simultaneously achieving both objectives still eludes us. The margin of error is perhaps very slight (a reduction of one per cent. or two per cent. in consumption would have prevented most of the crises) but the effects of error are considerable, because our reserves of gold and dollars are so low. These successive crises do much harm and produce much uncertainty. The country is in the same position as the company that has no margin for error or experiment because it has run down its reserves. The remedy may be to build up reserves again by savings. The prospects are not particularly satisfactory. There is still a lack of confidence in the safety of savings. Increases in wages have not since 1952 been accompanied by a corresponding increase in personal savings. Corporate savings may tend to fall, partly because of taxation and partly because superannuation funds will start to slow down soon, when the number of pensioners increases substantially, as it will within the next ten or fifteen years. There is perhaps a need for a Royal Commission on Savings.

*Taxation*

Many accountants may, however, feel that there can be no great improvement without a reform of taxation. Would that the Chancellor could have announced on

Budget day a three-year programme of tax reform. Would that his proposals for superannuation benefits for self-employed persons had not fallen so far short of the recommendations of the Royal Commission. Would that he had not found it necessary to increase profits tax. No other tax is so directly confiscatory in relation to reserves: no other tax produces greater uncertainty through an ever-mounting contingent liability for tax on undistributed profits. Indeed, *The Economist* went so far as to say that "in a Budget designed to stimulate savings the Chancellor has forced companies to dis-save."

I fear, therefore, that my first anxiety is unsolved and I turn to my next problem.

**Wasted Ability**

As I have travelled about the country during the past two years, I have met many people, of diverse occupations, who were living and working at a level far below their true capacities, whose abilities were largely wasted. Happiness will not be found until many more people achieve a better balance between their talents and their opportunities. Perhaps all economic problems are, in essence, moral problems, but it helps if economic forces pull in the right direction. It may be that wages differentials are inadequate, so that there is little incentive for increased responsibilities. It may be that housing difficulties result in an unwillingness or an inability to move. It may be that training and promotion methods require review or that the existence of elaborate superannuation schemes is retarding desirable changes of employment. Perhaps some day industry and commerce will go as far as the universities have already done in the direction of transferable pension rights. First-class ability is rare and it should be used where it is most effective. For this reason there is a strong case for the part-time director, who has been so much attacked in recent years. Most Boards ought to include full-time executives, but their membership can also with advantage comprise part-time directors, of wide business or technical experience, whose abilities can be used in many fields.

These are general problems, but there are some questions that the accountancy profession should be asking. Is it possible that there are too many office workers in this country whose abilities are wasted on the dreary routine of excessive clerical work? New methods of saving time in the office have not reached many small and medium-sized businesses. The accountancy profession might do well to take an increased interest in office organisation and method.

Are we wasting the ability of some of our entrants? There are over 9,000 articled clerks and bye-law candidates preparing for the Society's examinations; our educational responsibilities exceed, in numbers, those of most British universities. The practical merits of our system of training are considerable but we have not responded to the stimulus of the improved educational methods now available. Is it time for us to think again about the education of those on whom the future of the profession will depend? Irrespective of our training methods, is it desirable that the accountancy profession, alone amongst the great professions, should recruit so few university graduates? Is there need to advance the techniques of the accountancy profession beyond the level of the Final Examination, so that post-graduation study becomes normal?

I have no easy answers for you, so I pass to my third problem.

**The Measurement of Success**

The Columbia University Press has published a book on *Management of the Industrial Firm in the U.S.S.R.*, with two chapters on "The Measurement of Success." With us, the normal criterion is still profitability, and I suspect that there is still no more effective single test in the management field. The Soviet director has a different test question—what effect will alternative decisions have on the fulfilment of the plan set for his firm? I suspect that in both countries we are quickly moving towards much more elaborate measurements of success. Standard costing methods, for example, are already concerned with plan-fulfilment and with cost-reduction, rather than with changes in net profit.

We are, in fact, face to face with a whole series of related problems in our measurement of success. Let me illustrate:

*Firstly:* We have inadequate information about how industry as a whole is succeeding or failing, month by month. The Chancellor, in his Budget statement, noted a certain gap in our defences in this matter—"we are always looking up a train in last year's *Bradshaw*"—and asked for the co-operation of industry in improving our statistics. Few appeals could be less popular: we hate filling in census returns. That natural antipathy would be reduced if the statistics were published in time to be useful and if the questions which were asked were really significant in the industry under review, so that those who prepared the census data felt that they were finding out something new and useful about their own undertakings —so useful that they would wish to go on getting out the figures for their own purposes.

*Secondly:* The measurement of success involves comparisons not only with previous periods but also with comparable undertakings. We are only now beginning to study inter-firm comparisons, but useful work on the use of accounting ratios for this purpose has been done by a committee of the British Institute of Management under the chairmanship of Professor Sewell Bray. There is much study to be done on this subject in the next few years.

*Thirdly:* Profit changes are an inadequate index of success or failure. Our clients who, somewhat belatedly, give us the information to enable us to prepare their annual profit and loss accounts will not get from those accounts the information they need for policy decisions. The information comes too late; even in the small business, there is need for danger signals which will light up as soon as anything goes seriously wrong. The information is not sufficiently specific: an increase in profits may mask a combination of unwise price increases and reduced efficiency. Our methods of diagnosing disease in the undertakings for which we act need development and

our methods of exposition need simplifying so that they can be understood by all, particularly employees.

*Finally:* Our definition of success may have to be re-defined, in much wider terms of public interest.

That last great problem, as old as human history, makes for me the point which I hope you have already seen—that in all these anxieties of which I have been speaking, the accountancy profession has a part to play in finding solutions. We are not merely book-keepers and recorders of past financial transactions: we are not merely onlookers but participants, members of a high calling with great responsibilities and opportunities.

And so I come to the end of my presidential journey, with many unsolved problems but with certainty about the relevance of the accountancy profession to those problems, and with certainty also about the many debts of gratitude which I owe to those who have been so very kind to me during my term of office. During the past two years, the Council of the Society has had to take decisions on important matters of policy. May I tell you how warmly grateful I am to Sir Richard Yeabsley, who has given such great service to the Society as Vice-President, and to my other colleagues on the Council? Perhaps a President is in a special position to appreciate the immense amount of work done by those colleagues, with devotion, efficiency and kindness. These same qualities have been shown to me by the officers and committees of Branches and District Societies. I have no doubt at all that the well-being of the Society depends ultimately on the work of the Branches and District Societies; I know how arduous that work is—I wish that members and students might know what great services they can give to the Society, to the accountancy profession and indeed to themselves by taking part in the activities of the Society—its lectures, its social functions and its committee work. One of the special pleasures of my term of office has been my visits to towns not customarily on the presidential itinerary, and I have learned much from my meetings with members. I am grateful also for the very happy relationships that exist between the accountancy bodies of this country and those overseas and I remember thankfully the many kindnesses that have been shown to me. Finally, it has been rightly said that a President enjoys the pleasures of office and that others do his work for him. Those others include my own partners and colleagues and the staff of the Society, to whom I am immensely indebted. I have received great kindness and help from Mr. Craig, Mr. Evan-Jones, Mr. Little, Mrs. Duncalf and all at Incorporated Accountants' Hall, who serve the Society so well.

**Our contributor, who is a director of a well-known company of brokers specialising in pension plans, explains the Chancellor's proposals for pensions for the self-employed and advises practising accountants against precipitately taking out cover for themselves.**

# Pensions for Practising Accountants

*by T. A. E. Layborn, C.B.E., Fellow of the Corporation of Insurance Brokers*

WHAT POSSIBILITIES DOES the Budget open up for pensions for accountants and other self-employed persons? Before discussing the details of Clauses 18 and 19 of the Finance (No. 2) Bill, 1956, which seek to make provisions for these pensions allowable out of untaxed income, I should emphasise that the Bill is only a Bill. Several weeks of debate must pass before it is an Act. Many changes will undoubtedly be suggested and it is possible that quite far-reaching amendments will be made in the Bill. At the outset, therefore, a word of caution to accountants! They would be unwise to succumb to advice to take out policies prematurely, in anticipation of what will ultimately be allowed by the Act.

The Bill proposes that any gainfully occupied person who does not hold any "pensionable office or employment" shall be permitted—within limits to be discussed later in this article—to claim relief from tax on any premium paid towards an approved retirement annuity. (Clause 18 (1) (*a*) and (*b*).) A "pensionable office or employment" is defined as one to which "a sponsored superannuation scheme relates" (Clause 18 (8)), and this term is in turn defined as a scheme to which the employer contributes (and the contributions of the employer are not regarded as emoluments to the employee) in order to provide retirement benefits for the employee (Clause 18 (9)). Schemes providing only death or disability benefits while in service in the office or employment before the age of 70 or some lower age do not rank as "sponsored superannuation schemes" (Clause 18 (8)). Thus, those eligible for the advantages of the Bill will be all self-employed persons, partners, controlling directors or employed persons to whom no "sponsored superannuation scheme" relates. Certain difficulties could arise in practice in interpreting the word "relates" in the context

of employed persons, but since my major object is to consider the Bill from the point of view of the practising accountant, this point will not be enlarged upon.

In passing, it may be noted that contrary to the recommendations of the report of the second Millard Tucker Committee, the Bill does not appear to allow those with inadequate benefits from "sponsored superannuation schemes" to supplement the benefits by taking out policies approvable under the Bill. No doubt the point will be debated. If an existing pension provision falls short of the maximum allowed under the Bill it seems indefensible that the individual should not be allowed to make provision out of untaxed income for the short-fall.

For a policy to be approved by the Inland Revenue it must fulfil certain requirements. They can be summarised:

1. The main object of the policy must be "the provision of a life annuity in old age" (Clause 18 (1) (*b*) ). The Bill does, however, permit the annuity to be payable for a guaranteed minimum period not exceeding five years, even if the annuitant dies earlier (Clause 18 (3) (*d*) ).

2. The annuity must not normally commence earlier than age 60 or later than age 70 (Clause 18 (2) (*b*) ). There can, however, be provision in the annuity contract for the individual to retire earlier than age 60 on grounds of ill-health (Clause 18 (3) (*b*) ). What is not clear here is who decides on the facts of the ill-health. In the past in ordinary pension schemes the Revenue have steadfastly refused to have any association with this problem, but have left the decision to the employer. Where no employer exists, some other arrangements will have to be made. It is within the power of the Revenue to approve any arrangement in which the pensionable age is earlier than 60, if the individual's occupation is one in which it is customary for a retirement age to be earlier than 60, but on no account is the age to be earlier than 50 (Clause 18 (3) (*c*) ). It should be noted that no provision is made for retirement after the chosen pension date: it seems to be intended that even if the individual continues to work after that date he must draw his pension, as recommended by the second Millard Tucker Committee.

3. The annuity must not "be capable in whole or in part of surrender, commutation or assignment" (Clause 18 (2) (*b*) ). This provision will undoubtedly be adversely commented upon, since many pension schemes for employees permit of commutation for a cash sum of up to 25 per cent. of the total pension from all sources. It seems unfair to treat the partners in firms of accountants and other self-employed people less favourably than employees of commercial concerns—or less favourably than civil servants, who on retirement are allowed a cash sum.

4. No capital sum, apart from a return of premiums, plus reasonable interest and bonuses, may be paid on death (Clause 18 (2) (*c*). The contract may, however, provide for an annuity to the widow or widower of the main annuitant or at the discretion of the Inland Revenue (Section 18 (3) (*a*) ) to another of his or her dependants. Any such annuity must not exceed the amount of annuity payable to the main annuitant.

**Trust *versus* Assurance Policies**

References to annuities may suggest that the contracts must be effected with an assurance office. But they need not. Clause 18 (4) allows the Inland Revenue to approve contributions to trust schemes established for individuals "engaged in or connected with a particular occupation (or one or other of a group of occupations)." It immediately springs to mind that professional bodies may set up their own trusts, to which their members will contribute. I understand that some professional bodies, including the Society of Incorporated Accountants, are now considering whether they should set up a trust for their members. The idea of a trust is attractive at first blush, for it offers the appeal that the profits that would otherwise enure to the assurance office will attach to the trust, and enable better terms to be offered by the trust than by the office.

A comparable argument has been used in the past in the age-old discussion about the relative merits of self-administered funds and insured funds. I do not propose to repeat these arguments but one highly significant point should be brought out. Heretofore, the main advantage of self-administered funds has been that their investment income has been free of taxation, whereas assurance companies, taxed on the investment income of their annuity funds but receiving an offset on the annuity outgo, have for many years maintained that they were treated less favourably than self-administered funds. Now under Clause 20 (7) of the Bill, the investment income of assurance companies, on both approved superannuation funds and on funds for policies approved under Clause 18, will be similarly relieved of taxation. This relief should enable assurance companies to compete very effectively with self-administered schemes. It is also to be borne in mind that mortality is improving. A strain thrown upon the annuity fund of an assurance office because of improving mortality in all probability throws up an additional profit on its life fund. This offset is not enjoyed by a self-administered fund.

The self-administered scheme is unlikely to be able to offer benefits of more than one type or, at the most, more than a very limited range of types. The Bill, however, permits various types of contracts to be effected—with or without profits, with or without return of premiums on death, with or without return of premiums with interest, with or without provisions for continuing pensions to widows and other dependants. The assurance offices will certainly bring out a number of highly competitive types of policies. It seems unlikely that all the members of any one profession or vocation will desire to be covered by the one particular type of benefit, or the limited range of benefits, to be provided by a self-administered fund. In my personal opinion, then, taking the long view a self-employed person would be well advised to secure his annuity with an assurance office rather than through a self-administered scheme.

Some professional bodies, I understand, are contemplating arranging a scheme with a panel of assurance offices, allowing their members to effect a policy of the type recommended but to take their choice of the offices named on the panel. A scheme of this nature should, I think, be made with caution. Those responsible would

look somewhat foolish if soon after their recommendation had been received by their members other offices were found to be offering more favourable contracts. The fertile minds of the assurance world will for some months after the Act has been passed be conceiving different types of contracts. It would seem that professional bodies would be wise to wait a while before making any general recommendations to their members.

**Types of Cover**

Consider now the premium which an individual may pay out of untaxed income in any one year. In principle the limit is defined very simply: it is 10 per cent. of "his net relevant earnings for that year" or £500, whichever is the smaller (Clause (19) 1). A full definition of "relevant earnings," given in Clause 18 (7), follows very closely the well known principles of "earned income" as defined in Section 525 of the Income Tax Act, 1952, except that Family Allowances are not included. But it should be noted that any remuneration of a controlling director of an investment company, as defined in Section 257 of the 1952 Act, is specifically excluded.

When the Chancellor originally referred in his Budget speech to the 10 per cent. limit, much speculation occurred on how the limit would operate for individuals whose income varied from year to year. In the past most annuity contracts issued by assurance offices to individuals have been on what is known as the "level annual premium" basis—that is, at the outset it is decided what benefit is to be provided at what future date, and a level annual premium is payable from the inception to the vesting date of the policy to provide that benefit. If, at the outset, an individual effected a contract on such a basis with a maximum annual premium, and in a subsequent year he suffered a decrease in earnings, would part of the premium be disallowed, or would he have to discontinue a part of the policy? The thought gave rise to the idea that it might be better to issue what are known as "single premium" contracts. By this method a separate policy would be written each year providing, in return for one single premium, a specified benefit at the vesting date. Now, the single premium policy may still prove to be the best for individuals whose income is liable to violent fluctuations or whose income-earning future is particularly uncertain. No doubt assurance offices will obviate the issuing of a separate policy each year by drawing up one document with a schedule of single premium payments endorsed upon it. Apart, however, from the rather special circumstances in which single premium policies may still be advantageous, Clause 19 (2) of the Bill will—if I understand it correctly—operate to make possible the effecting of level annual premium contracts even when the income fluctuates. The Clause lays down that if in any year a portion of a premium, otherwise allowed, is disallowed by virtue of the 10 per cent. limitation, the amount disallowed would be carried forward to the next year, and if necessary to subsequent years. The concession is a valuable one: it will enable moderate fluctuations in earnings to be coped with by a policy with a level annual premium.

No provision is made in the Bill for contributions in respect of past years spent in a self-employed capacity. It seems unjust that the older self-employed person should not be allowed to make additional provision from untaxed income against his retirement, if he wishes to do so and can afford the extra cost. The provision of pensions for past service at the inception of a pension scheme for employed persons is, after all, a recognised practice approved by Inland Revenue. One must expect some spirited discussion on the omission when the Bill is before the Commons.

**Summary**

In summary, the developments as I see them that must take place in the near future are:

(1) The Bill has to be debated in Parliament and there may be important amendments before it finally emerges as an Act.

(2) The Commissioners of Inland Revenue will then evolve, under the powers they would be given, the necessary Regulations and procedures for approving policies and claims for tax relief.

(3) The assurance offices have to consider the legislation and to decide whether the policies they will offer to the public should be:

(i) For a straightforward deferred annuity.

(ii) For a deferred annuity combined with a widow's pension.

(iii) With a return of premiums only in the event of death before pension date, or with a return of premiums plus interest and, if with interest, at what rate.

(iv) On a level annual premium or a single premium basis, or both.

(v) Non-profit or with-profit.

(vi) In addition to the benefits entitled to full tax relief, for other benefits also—for example, death cover—even though the premiums payable in respect of such other risks will not be entitled to full tax relief.

(4) The offices will have to decide what premium rates they can afford to offer in view of the concession now to be granted on the taxation of that part of their annuity fund relating to policies effected under Clause 18 of the Bill.

(5) Professional bodies, after weighing the *pros* and *cons*—preferably not before the Act is finally passed and the contracts on offer from the assurance offices can be assessed carefully—will wish to decide whether to draw up a trust fund for the benefit of their members and, if they decide in favour of one, its terms.

I have refrained, for reasons which should be clear from what I have written, from giving any examples of the terms now on offer by assurance offices for deferred annuity contracts. Readers who are anxious to obtain a rough idea of the premiums now being quoted on certain types of policies, can probably do so by applying to their favourite assurance office. But it would be as well to enquire again in two or three months and to wait patiently until then before availing oneself of the Chancellor's bounty, whether by taking out a policy or by entering any self-administered scheme for which one is eligible.

# Reforming the Bankruptcy Law

**In October, 1955, the President of the Board of Trade appointed a Committee, under the chairmanship of His Honour Judge Blagden, with the following terms of reference:**

> **To consider and report what amendments are desirable in (1) The Bankruptcy Acts, 1914 and 1926, more particularly in regard to the provisions relating to the discharge of bankrupts; and (2) the Deeds of Arrangement Act, 1914.**

**Various questions within the terms of reference were drawn up by the Committee and there was included for consideration a scheme for the automatic discharge of bankrupts.**

**Among other bodies, the Society of Incorporated Accountants was invited to submit its views. In reply, the Council of the Society has submitted a memorandum, the terms of which are, with the permission of the Committee, set out below. The specific questions raised by the Committee and the scheme for automatic discharge are interposed in italics in Section A of the memorandum.**

**Sections B, C and D of the memorandum contain points submitted by the Council in reply to a request by the Committee for desirable amendments to the Bankruptcy Act and Deeds of Arrangement Act in the light of experience over the past forty years.**

## SECTION A

### 1. The Discharge of Bankrupts

*Whether, and if so, how the Bankruptcy Acts should be amended in regard to the discharge of bankrupts. Comments on the scheme outlined would be particularly appreciated.*

*The scheme submitted for the consideration of the Committee is as follows:*

*(a) At the end of a certain period (two years is suggested) after the conclusion of the public examination of the bankrupt, every bankrupt would become automatically discharged unless a caveat were entered on the Court file against such automatic discharge.*

*(b) This caveat would be entered at the conclusion of the Public Examination on the application of the Official Receiver; or of any creditor who had proved his debt and was present; or on the initiative of the Court. The Registrar would take into account the evidence of the bankrupt, as given in his answers at his public examination, and upon hearing the applicant for the caveat thereon, would decide whether the bankrupt's conduct and financial dealings leading to his bankruptcy were such as to render it undesirable in the public interest that the automatic discharge should take effect. In that event, the Court would enter the caveat and at the same time fix a day, time and place for the hearing of the bankrupt's discharge.*

*(c) Any bankrupt whose discharge was refused by the Court would be required to keep the Official Receiver informed of all changes of address, to account to the Official Receiver at the end of every six months as to all his financial transactions and any after acquired property or earnings and to attend upon the Official Receiver as and when required.*

*(d) If any bankrupt who had not a caveat entered against him were not satisfied to await the period when he became automatically discharged he would have the right to apply for an earlier discharge at any time after the conclusion of his public examination. In that event his application would be dealt with in the same manner as under the existing provisions of Section 26 of the Bankruptcy Act of 1914.*

*(e) Provision would be made for the automatic discharge of all existing undischarged bankrupts provided they had not been bankrupt on more than one occasion and the Court had not refused their discharge.*

There is a division of opinion about the suggestion that every bankrupt should be automatically discharged at the end of two years after the conclusion of the public examination unless a caveat were entered on the Court file against such automatic discharge, as contained in subparagraphs (*a*), (*b*) and (*d*) in the appendix to the letter.

Some favour the caveat system as suggested.

Some favour the caveat system but think that the period of two years is too short. They suggest four or five years as being more suitable.

Some are against automatic discharges, even with the safeguard of the caveat, and think that every bankrupt should be required to apply for his discharge in order to obtain it.

All are concerned at the large numbers of undischarged bankrupts and would be glad to see some means adopted of reducing them. The administrative convenience of the scheme outlined in the Committee's letter is appreciated, but the weight of opinion is in favour of increasing the period from two to four or five years and against automatic discharges without application by the debtor.

The proposal in subparagraph (*c*) that bankrupts whose discharge was refused should keep in touch with the Official Receiver and account to him at intervals of six months is supported. It might be applied to other bankrupts, for example, by Court order on application.

All are opposed to the suggestion for the automatic discharge of all existing bankrupts who have not been bankrupt on more than one occasion and whose discharge has not been refused by the Court, which is outlined in subparagraph (*e*) of the appendix to the letter.

The reasons put forward in support of the above views are as follows:

(1) Those favouring the caveat system were of the opinion that the Official Receivers of the Board of Trade, by reason of their wide experience of a large variety of cases, were in the best position to judge the value of the suggestions.

(2) Those who favoured the caveat system but thought that the two years period was too short did so because:

(*a*) In some cases facts relevant to the question of the debtor's discharge would not come to light in this period—indeed, some debtors might be tempted to try to suppress information about themselves or

their estate during such a relatively short period.

(*b*) They were of the opinion that not sufficient time would elapse to permit the operation of the after-acquired property provisions to have a reasonable chance of producing some benefit for the creditors.

(3) Those who were against automatic discharges, even with the safeguard of the caveat, attach considerable importance to the principle that discharge is a privilege which should only be granted to debtors who are willing to submit their conduct to a final assessment by the Court.

(4) The automatic discharge of certain existing undischarged bankrupts is opposed for the following reasons:

(*a*) Many bankrupts whose discharge might be a danger to the trading community would not have applied for their discharge because aware that it would probably be refused, yet because their discharge had not been refused by the Court, they would be in a position to receive an automatic discharge, provided that they had not been bankrupt on more than one occasion. The automatic discharge of a large number of existing undischarged bankrupts would thus release on to the trading community a number of undesirable persons who would forthwith be able to trade under cover of limited liability companies, etc.

(*b*) If any attempt were made to examine the facts of each case before granting the discharge the administrative problem facing the Official Receivers and the Courts would be enormous and the expense probably prohibitive.

The solution suggested is to allow all existing undischarged bankrupts who have not applied for their discharge at the commencement of any proposed new Act to remain undischarged bankrupts, until death if necessary, but with the benefit of their existing remedies.

A. It is recommended that if a system of automatic discharge, subject to a caveat, is introduced:

(1) The period which must elapse before an automatic discharge can operate should be increased from two to four or five years.

(2) In that case, the Court should have power to enter a caveat against an automatic discharge at any time during the four or five years, and not only on the conclusion of the public examination.

(3) The trustee in bankruptcy of the debtor's estate should also have power to apply to enter a caveat within this period.

(4) Any provision for an automatic discharge should not operate on the occasion of a second or subsequent failure (not necessarily bankruptcy). This effect could be obtained by a rule that in such circumstances the Court should invariably enter a caveat.

B. The preferred method of reducing the number of undischarged bankrupts is to place on all bankrupts a duty to take steps to bring the question of their discharge before the Court after the lapse of a reasonable time, if they have not previously done so. This could be done by providing that, at the end of four or five years from the conclusion of the public examination, the Official Receiver should send the bankrupt a notice requiring him to apply for his discharge, if he had not previously done so, within a specified time after receipt of the notice. Failure to do so would, on proof of service of the notice, be punishable as contempt of court.

The present procedure for giving notice of the application for discharge to all interested parties should be retained.

The new procedure would apply only to persons adjudicated bankrupts after the new Act came into operation.

All existing undischarged bankrupts at that date would retain their existing remedies.

**2. Application of After-Acquired Property in a Second or Subsequent Bankruptcy**

*In relation to a second or subsequent bankruptcy where the bankrupt remains undischarged from a previous bankruptcy, whether assets acquired by the bankrupt after the previous bankruptcy should be applied in discharging the debts owing to creditors in the second or subsequent bankruptcy in priority to any debts remaining owing in the prior bankruptcy.*

On this issue there are divided views. The majority view is that assets acquired by a bankrupt after a previous bankruptcy should, so far as not already distributed by the trustee in the previous bankruptcy, be divisible among the creditors in the second or subsequent bankruptcy in priority to any debts remaining unpaid in the first bankruptcy. The minority view is that matters should be left as they now are under Section 3 of the Bankruptcy (Amendment) Act, 1926. There are good reasons for both views, and the Council feels unable to do more than report that the balance of opinion among members of the Society seems to be in favour of the first.

**3. Increase in the Monetary Limits**

*The desirability of increasing the monetary limits prescribed by the Bankruptcy Acts so as to take account of the fall in the value of money, particularly those relating to a petitioning creditor's debt and to the estimated value of assets to enable an Order for Summary Administration to be obtained from the Court.*

The only increases recommended are:

(1) Tools of trade, etc.—Section 38 (2)

The value of the tools of trade, apparel and bedding of the bankrupt and his family which are not comprised in the property divisible among his creditors should be increased from £20 to £150.

To prevent possible disputes and abuses, the subsection might be rewritten in the form "The necessary tools (if any) of his trade and the necessary wearing apparel, etc."

(2) Summary Administration of Small Estates—Section 129

The Court should have power to make an order for the summary administration of the estate when the property of the debtor is not likely to exceed in value £500 (instead of £300).

There should be *no* increase in the minimum debt of £50 prescribed by Section 4 (1) (*a*) as necessary to support a creditor's petition. It is felt that this amount was originally fixed at what was at the time a rather high figure. It is regarded as now fixing a fair limit to the liability to be adjudicated on a creditor's petition.

**4. Limiting the Vesting of After-Acquired Property**

*The advisability of limiting the vesting of after acquired property to such property as may be claimed by the trustees.*

This has been taken as referring to the decision in Re *Pascoe* [1944] Ch. 219, [1944] 1 All E.R. 281, wherein it was decided by the Court of Appeal that after-acquired property of a bankrupt vests automatically in the trustee in bankruptcy under the Bankruptcy Act, 1914, Sections 38 (*a*) and 47 (1), although the bankrupt has certain rights in respect of it, such as the right under Section 47 (1) to pass a valid title thereto to a person dealing with him *bona fide* and for value.

# MORE & MORE

## people are opening

Minimum Deposit £100

# DEPOSIT ACCOUNTS

with

# LOMBARD BANKING

**SPECIALISTS** in Finance for Modern Industrial Plant, Machinery, Marine Craft, Aircraft, Vehicles and all types of Equipment in the new fields of Nuclear Engineering, Automation and Electronics in support of:—

1. **Quality of Products**
2. **Maximum Efficiency and Productivity at Lowest Costs.**
3. **Expansion of Markets**

Send today for **"Deposit Account"** booklet No. 103 to General Manager

# LOMBARD BANKING LIMITED

**BANKERS**

*Head Office:* **LOMBARD HOUSE, 5 ALDFORD STREET, PARK LANE, LONDON, W.1**

**GRO 6211** (30 lines)

*Branches and Agents throughout the World*

JUST PUBLISHED

*The NEW 19th edition of Ranking, Spicer and Pegler's*

# EXECUTORSHIP LAW AND ACCOUNTS

*by* H. A. R. J. WILSON, F.C.A., F.S.A.A.

*is completely revised and up to date: it has many new features*

*Price 35s net Post Free U.K. 36s 9d*

**H.F.L. (PUBLISHERS) LTD. 66 CHANDOS PLACE, WC2**

# GOOD NEWS

## about retirement pensions

The Chancellor's recent Budget announcement means that SELF-EMPLOYED persons, CONTROLLING DIRECTORS, PARTNERS and employees whose jobs are NOT PENSIONABLE, will now be able to make adequate provision for their retirement.

At last you will be entitled to relief of Income Tax and Surtax on the premiums paid to secure a retirement pension.

The Norwich Union, who have specialised in pension policies for many years, now offer specially attractive rates of premium. They will be pleased to give advice, without any obligation on your part, as to the best method of solving your own pension problem.

Send the coupon NOW for suggestions for your particular case.

*You may send me, without obligation, details of retirement pensions.*

(M.....) Date of birth.....

Address.....

.....

.....(ACY.11)

Norwich Union

INSURANCE SOCIETIES

**12-20 Surrey Street, NORWICH, Norfolk**

No examples of difficulties arising from the decision in *Re Pascoe* have been brought to the notice of the Council of the Society, but it is clear that the decision could create difficulties where property burdened with onerous conditions is acquired by or devolves on the bankrupt after his adjudication.

It is therefore suggested that it would be advisable to limit the vesting of after-acquired property to such property as may be claimed by the trustee, thus restoring the position to what it was thought to be before the decision in *Re Pascoe*.

5. **Trustee in Non-Summary Case**

*Whether creditors should be able to appoint the Official Receiver as trustee in a non-summary case.*

It is agreed that, if they so desire, creditors may leave the administration of the estate in the hands of the Official Receiver.

6. **Conclusion of the Bankruptcy and Re-vesting of the Surplus Where Debts Paid in Full**

*Whether provision should be made for a conclusion of the bankruptcy where the debts are paid in full (with statutory interest) and a revesting of the surplus in the bankrupt without the necessity for any documentary transfer by the trustee.*

It is agreed that, where all the debts are paid in full with statutory interest, there should be provision for a conclusion of the bankruptcy in so far as it affects the debtor's property. In such a case, there is no point in the continued operation of the after-acquired property clause, nor in the retention of bankruptcy inhibitions, etc., registered against the debtor's interests in land. The conclusion of the bankruptcy should therefore exonerate his after-acquired property from the claims of the trustee and the creditors, and power should be given to the appropriate person to give a certificate of the conclusion of the bankruptcy enabling such registrations to be vacated or removed without the necessity for an application to the Court. Some documentary evidence establishing his title or his right to deal with the assets should be made available to the debtor.

It is understood that the question of the debtor's personal discharge from bankruptcy will be kept distinct from that of the conclusion of the administration of his property in bankruptcy. If, therefore, his discharge or the annulment of his bankruptcy is refused because of his misconduct, he will still be under personal disabilities.

7. **Enlargement of the Provisions of Section 51**

*The enlargement of the provisions of Section 51 of the Bankruptcy Act, 1914, to cover all kinds of earnings including the wages of workmen.*

It is agreed that the provisions of Section 51 should be enlarged to cover all kinds of earnings, including wages, in addition to "salary or income."

The word "wages" will probably need some definition. An exhaustive definition would be difficult to frame, but an "inclusive" definition would be helpful. It should clearly cover piece rate, day rate and weekly wages, overtime, and wages earned wholly or in part by way of commission.

8. **The Board of Trade's Power to Conduct Prosecutions**

*An amendment whereby all prosecutions for offences under the Bankruptcy Acts may be instituted and carried on by the Board of Trade in lieu of the Director of Public Prosecutions.*

The Council of the Society supports the proposal that the Board of Trade should have power to institute and carry on all prosecutions for offences under the Bankruptcy Acts in lieu of the Director of Public Prosecutions.

9. **Board of Trade Control over Administration under Deeds of Arrangement**

*With regard to Deeds of Arrangement, what provisions are desirable in order that there may be a more effective control by the Board of Trade over the administration of assets vested in a trustee under a Deed of Arrangement?*

A deed of arrangement is a private affair, the whole object of which is to avoid publicity, formalities and restrictions. Creditors are not obliged to assent, and if they do, it is up to them to look after their own interests. It may be that the Board of Trade have evidence of a need for greater control over the administration of assets vested in a deed trustee, but the Council has none, and accordingly recommend no change in this respect in the present law and procedure applying.

(In the part of this memorandum immediately following, we suggest certain changes in the law applying to deeds of arrangement.)

## SECTION B

**Suggested Amendments to the Deeds of Arrangement Act, 1914**

There are many objections to the present working of the Deeds of Arrangement Act, 1914, the principal being:

(1) That in view of the operation of the doctrine of the relation back of the title of the trustee in bankruptcy, it is not safe in practice to pay dividends to creditors under deeds of arrangement until three months have passed since the date of execution of the deed.

(2) A trustee under a deed which is avoided by the subsequent bankruptcy of the debtor can be treated as a trespasser and allowed no remuneration, even for work beneficial to the estate.

(3) In practice unscrupulous creditors are able to "blackmail" the arranging debtor by the threat of bankruptcy into paying them more than he pays other creditors.

(4) Creditors often assent to deeds without being aware of their contents.

*Suggested Amendments*

Since a type of voluntary liquidation by an individual is involved, it is suggested that the procedure for negotiating the acceptance of a deed of arrangement by the creditors should be as far as possible similar to that applying in the voluntary liquidation of companies.

In order to eliminate the difficult waiting period of three months, it is suggested that the period in which a creditor may present a petition based on the execution of a deed of arrangement as the act of bankruptcy should be cut down, and that the Court should have to be satisfied by the petitioner that the deed is not in the interests of the creditors as a whole before it could make a receiving order on the petition.

It is therefore suggested that:

(1) *First Meeting of Creditors.* The first meeting of creditors might be called by notice in the *Gazette* and two local papers (seven clear days' notice is suggested).

(2) *Appointment of Trustee.* If the creditors resolve by a majority in number and value to accept a deed of assignment, or deed of composition, they should appoint the trustee at the meeting.

(3) *Bankruptcy Petition based on the Deed.* A creditor may present a bankruptcy petition based on these proceedings within, say, twenty-eight days after the date of the meeting, but in order to succeed he must establish that the deed is not in the interests of the creditors, e.g. because the acceptance of the deed by the other creditors constitutes a fraud on the minority of creditors, or

fraud otherwise exists, or the trustee appointed under the deed, by reason of his connection with the debtor, is prevented from acting impartially. Section 5 of the Bankruptcy Act should be amended to cover this procedure.

(4) *Relation Back*. If bankruptcy should ensue on this petition, then the title of the trustee in bankruptcy should relate back to the date of the meeting of creditors or the date of filing the petition or the date of execution of the deed by the debtor, whichever is the earlier.

(5) *Recourse to the Court by Deed Trustee*. Recourse to the Court, e.g. under Section 25 of the Bankruptcy Act, should be available to the trustee under the deed in the same way as recourse may be had by the trustee in bankruptcy or the liquidator in a voluntary liquidation.

(6) *Reporting Offences*. It should be possible for the deed trustee to report bankruptcy offences punishable by fine or imprisonment to the Board of Trade in like manner to the procedure in voluntary liquidation, and in respect thereof the debtor should be made amenable to the penalties set out in the Bankruptcy Act.

(7) *A Statutory Form of Deed*. To overcome objection (4) above, there should be a statutory form of deed of assignment included in the Deeds of Arrangement Act and made compulsory so that every creditor could be aware of what he has signed. The statutory form or forms could be the same as one of the printed forms of deed which at present can be purchased at a Law Stationers.

(8) *Position of the Deed Trustee*. If bankruptcy supervenes, the Official Receiver or trustee might be required to treat the trustee under the deed of arrangement as an agent and not as a trespasser unless he can prove that the deed trustee has damaged the estate through his own default or negligence.

(9) *Qualification for Appointment as Deed Trustee*. In Section C, paragraph 4, below, it is recommended that the persons qualified for appointment as trustees in bankruptcy should be the same as those qualified for appointment as auditors of registered companies (other than exempt private companies).

It is recommended that the same persons should be qualified for appointment as trustees under deeds of arrangement.

(10) *Unclaimed Dividends*. It is suggested that dividends under a deed of arrangement which remain unclaimed at the end of two years from the date of registration of the deed might be paid into the Bankruptcy Estates Account, in order to save the expense of obtaining an order for payment into Court.

(11) *Accounts*. Accounts rendered by deed trustees under the Deeds of Arrangement Act, 1914, Sections 13 and 14, should in respect of the second and subsequent accounts show the balance at the beginning and end of the period, as well as the receipts and payments of the period.

## SECTION C

### Other Amendments to Clarify Questions of Doubt or to Facilitate Administration*

**1. A Complete Consolidation**

A complete consolidation of all enactments dealing with bankruptcy might be effected on this occasion. It would be a convenience to have all the statutory rules applying put in one Act.

**2. Proxies. Section 13 (2) and First Schedule**

The regulations governing creditors' proxies in bankruptcy appear to be needlessly complicated. It is suggested that they should be similar to those which apply in winding-up, and accordingly that:

(1) Insertions should no longer be required to be in the handwriting of the person giving the proxy, his manager, clerk or other employee, or a commissioner of oaths, as in paragraph 16 of the First Schedule to the 1914 Act.

(2) A general proxy may be given to any person, as under Rule 149 of the Companies (Winding Up) Rules, 1949, and should not be confined to the manager, clerk or employee of the creditor, nor should the instrument have to state the relation of the proxy-holder to the creditor, as now required by paragraph 18 of the First Schedule to the Bankruptcy Act, 1914.

(3) All the regulations governing the form and use of proxies might be gathered together, either in a schedule to the Act or in the Rules, instead of being partly in one and partly in the other.

It is also suggested that the Board of Trade might be asked to review the adequacy of the present rule against solicitation in obtaining proxies, paragraph 21 in the First Schedule to the Bankruptcy Act, 1914. According to information given to the Council, this practice still continues.

**3. The Completion of the Statement of Affairs (Sections 14 (1), 74 (2) proviso; B.R. 313)**

The Council recommends that, where the Official Receiver employs a qualified accountant at the expense of the estate to assist the debtor in the preparation of his statement of affairs, a reasonable scale of fees for this work should govern the amount of the remuneration to be allowed to the accountant.

The reason for this recommendation is that very small fees, not commensurate with the work done, are sometimes accepted in the hope that the person concerned will be elected the trustee of the estate and will thus be able to compensate himself to some extent for the inadequacy of the fee accepted in connection with the completion of the statement of affairs. This the Council regards as undesirable. It takes the view that the fees for accounting work should, whenever possible, be commensurate with the work which the accountant has in fact done. It sees no reason why this should not apply in this instance, and thinks it would be in the public interest that it should.

**4. The Qualifications of Trustees (Section 19)**

It is recommended that a person shall not be qualified for appointment as trustee of the property of a bankrupt unless he is also qualified for appointment as auditor of a limited company which is not an exempt private company.

This recommendation is not put forward merely on narrow professional grounds, but because the Council take the view that it would be in the public interest to require such a qualification.

A large part of the work of trustees in bankruptcy consists of the investigation of matters involving accounts, and it is submitted that this by itself indicates that appointments could with advantage be limited to persons whose training and experience fit them for this work.

A second advantage claimed for this recommendation is that the great majority of the persons qualified for appointment as auditors of limited companies are members of professional bodies and subject to professional discipline. Canvassing for support, which has a bad effect on the independence and standing of the trustee and on

*These suggestions are arranged in the order in which the points occur in the Bankruptcy Act, 1914.

the regard given to this type of practice in the accountancy profession, could be checked.

It is therefore proposed that the appointment of trustees should be left in the hands of the creditors, but that appointments should be confined to persons qualified as suggested above.

It is also suggested in Section B, suggestion (9) above, that trustees under deeds of arrangement should be similarly qualified.

**5. Committee of Inspection (Section 20)**

(1) To save trouble and expense in calling meetings of creditors, it might be provided that vacancies in the committee could be filled by the committee itself. Section 20 (8) should be amended accordingly.

(2) The doubt expressed in *Re Bulmer* [1937] Ch. 499, whether a limited company can validly be appointed a member of the Committee of Inspection should be resolved. We think that a company should be eligible for election through a duly appointed representative.

(3) It might be provided that, where a local bank account is used, the trustee should have power to pay out-of-pocket expenses of members of the Committee of Inspection without having to make application to the Inspector-General in Bankruptcy.

**6. Set-off of Debts by Government Departments (Section 31)**

One government department will claim to set off a debt due by them against one due to another department, and thus *pro tanto* obtain payment in full.

It is suggested that this matter should be examined.

**7. Preferential Debts (Section 33, etc.)**

(1) *Wages and Salaries.* It is popularly believed that wages and salaries and lately holiday pay are preferential debts payable immediately a bankruptcy or liquidation commences.

The trustee whose duty it is to discharge workmen is often put in an embarrassing position by having to explain to them that they cannot be paid their arrears of pay until it has been established that there are sufficient liquid funds available to discharge not alone their claims, but the claims of all other preferential creditors at the same time. It often takes many months before arrears of unpaid taxation can be agreed, and in the meantime the unfortunate employees have to wait for their money.

It is suggested that the wages and salaries and holiday pay of employees should be re-classified as pre-preferential debts. (This need not extend to subrogated claims, if such are introduced.)

(2) *Loans to Pay Wages*

The omission from bankruptcy of the subrogated rights of third parties in regard to wages and holiday pay is a source of confusion, and it is not obvious why this provision should apply in winding-up but not in bankruptcy.

In the interests of workmen, it is recommended that the "loan to pay wages" provision should be extended to bankruptcy.

If for administrative convenience arrears of wages and holiday pay are given a special "pre-preferential" status, this should not be extended to the claims of third parties who have advanced money to pay wages.

Consideration might be given to the relationship of the "loan to pay wages" with the "loan by a husband or wife" under Section 36. It may be thought that to the extent to which a loan by a wife to her husband, or vice versa, has been used to pay wages which would have been preferential, the wife or husband might stand in the shoes of the employees so paid.

(3) *Travelling and other Expenses*

Consideration might be given to including in the definition of wages and salaries for this purpose any travelling or other expenses incurred by employees in the course of their duties, which would normally be reimbursed to them with their remuneration. The trustee could then include in the amount to which priority is given all those out-of-pocket expenses which would normally be added on to the salary cheque or included in the pay envelope.

The same time limit should apply to such expenses as applies to claims for arrears of wages, but it would not be appropriate to include such expenses when applying the limit of £200 to the claim.

(4) *A Comprehensive Statement of the Preferential Debts*

It is recommended that, in any new Bankruptcy Act which may be passed, a comprehensive statement of the preferential debts as they exist at that time should be written into the Act. The phraseology adopted should be, as far as possible, the same as that which applies in the winding-up of companies.

(5) *The Claims of Public Utilities*

The Council find that there is resentment of the ability of public utilities to insist on payment of arrears in full where a continued supply of their service is essential for trading or realisation purposes. The public utilities are in these cases able to insist on being treated in effect as pre-preferential creditors, largely because of their monopoly position.

It is recommended that the matter should be examined. It is pointed out that the Postmaster-General will make a fresh contract for the supply and use of telephones without insisting on payment in full of the old telephone account. It is also pointed out that all the other bankruptcy priorities now rest upon statutory authority.

**8. Husbands and Wives Claims (Section 36)**

Under Section 36 of the Bankruptcy Act, 1914, a loan made by a wife to her husband for purposes of his business and vice versa is deferred until other creditors have been paid in full. If the husband used the money for purposes other than his business, the effect of the section can be defeated.

It is suggested that the operation of the section be extended to cover all loans by a wife to her husband and vice versa (subject to what is stated above in paragraph 7 (2) on loans to pay wages).

The question of the wife's right to occupy the matrimonial home in cases where the parties have separated is one also meriting attention. This can be important where the equity in the freehold of the house passes to the trustee in bankruptcy.

**9. Fraudulent Preference (Section 44)**

(1) *Fraudulent Preference*

The law in regard to fraudulent preference is uncertain owing to the onus of proof being on the trustee.

Section 44 of the Bankruptcy Act, 1914, makes void as against the trustee payments, etc., made by an insolvent person with a view to giving a creditor or surety or guarantor a preference over the other creditors, provided such payment was made within three months of the date of the petition on which the debtor was adjudicated bankrupt.

Section 115 of the Companies Act, 1947 (not repealed in 1948), extended the period from three to six months.

The Courts decided that the onus of

proof of the debtor's insolvency and of his intention to prefer was on the trustee (*Ex parte Green*, 1898).

After the decision in *Re Cohen* (1924) it was thought that the onus of proof was sufficiently discharged by proving a preferential payment to a creditor by a debtor who knew he was insolvent at the time. This was accepted law until 1934.

The decision in *Peat* v. *Gresham Trust Ltd.* in 1934 made the trustee's task in seeking to set aside a fraudulent preference a very difficult one, as it appeared to require direct evidence of the intention to prefer, which could only come from the bankrupt himself. The position was somewhat eased, but not entirely restored, by the decision in *Re M. Kushler Ltd.* [1943] Ch. 248.

The difficulty would be overcome if the trustee could be allowed to produce as evidence in the motion to set aside the preference the admissions of the bankrupt made on oath at his public examination. At present this is not allowed. To rebut the said admissions, the defendant, if he chose to do so, could call the bankrupt as his witness, and if the defendant failed to call him the case could be decided by inference having regard to all the circumstances.

It is suggested that Section 44 might usefully be amended by adding a clause to the effect that the evidence given by the bankrupt in his public examination be admissible in the motion to set aside the fraudulent preference subject to the right of cross-examination by either party.

Alternatively, the problem could be met by enacting that the question of whether or not there has been a fraudulent preference shall be decided by inference from the surrounding circumstances and not necessarily from the bankrupt's own evidence.

(2) *Fraudulent Preference for Relief of Guarantor—Hardship on Bankers*

Section 115 of the Companies Act, 1947 (unrepealed), extends to bankruptcy the operation of Section 92 of its own provisions and gives to banks in fraudulent preference cases leave to bring in a surety or guarantor as a third party.

In these cases the bank is usually an innocent party receiving money into its customer's account without precise knowledge of the customer's circumstances and without knowing that the real intention of the customer is to prefer a guarantor.

**10. Remuneration of Trustees (Sections 82, 83, B.RR. 334–336)**

(1) Where it is necessary to apply to the Court to fix the remuneration of trustees in bankruptcy, the Court tends to take the Official Receiver's scale as a guide.

It is pointed out that this scale is not appropriate. Wholetime Official Receivers receive a salary and do not depend on the scale fees for their earnings. The scale is in any event in need of upward revision, and it does not take account of work, such as settling tax claims and liabilities, which may not be reflected in the realisations and distributions effected by the trustee. Consequently it often bears no relation to the amount of work done by the trustee and his clerks.

As a Society we are opposed in principle to the remuneration of our members being based upon percentages of amounts realised or recovered, and unless there is some strong reason in favour of the present method of fixing the remuneration of trustees in bankruptcy, we would prefer a rule that a trustee's remuneration should be fixed on a time basis according to the amount of work done. This would bring English procedure in this matter more into line with Scottish procedure.

(2) The problem of preventing the "splitting" of remuneration with third parties, etc., still merits attention. As in the case of solicitation for proxies, it is difficult to suggest a remedy, though the proposal in paragraph 4 above that trustees should only be appointed from specially qualified persons is made partly with this object in mind.

It is suggested that the Board of Trade be asked to consider whether Section 82 (5) could be strengthened. The subsection does not at present provide a sanction against the receipt of benefits beyond the remuneration fixed by the creditors.

**11. Use of a Local Bank Account by the Trustee (Section 89)**

The obligation to use the Bankruptcy Estates Account unless, for special purposes, the use of a local bank account is authorised by the Board of Trade on the application of the Committee of Inspection leads to a certain amount of delay in distributing dividends or effecting payments out of the account.

It is suggested that the use by the trustee of a local bank account should be permitted in the same way as in voluntary winding-up, and the provisions applying in bankruptcy amended accordingly.

**12. Deceased Insolvent's Estate (Section 130)**

(1) Section 130 of the Bankruptcy Act, 1914, requires that before a creditor can take out administration, he must give prescribed notice to the legal personal representative. If there is no legal personal representative or the next of kin cannot be traced, the creditor appears to be powerless as the Act is silent on this point.

It is recommended that a procedure for dealing with this situation be adopted.

(2) *Extension of Trustee's Powers over Property*

It is recommended that Section 130 be amended so as to apply in the administration of a deceased insolvent's estate, as far as may be reasonable, the following sections of the Bankruptcy Act, 1914:

Section 42—Avoidance of certain settlements.

Section 43—Avoidance of general assignments of book debts unless registered.

Section 44—Avoidance of preference in certain cases.

As the law now stands, the death of an insolvent person before a petition in bankruptcy is presented against him quite fortuitously deprives the trustee of his powers under these sections.

(3) *Execution Creditor*

The relationship of the execution creditor's rights to those of the creditors generally in an administration under Section 130 could be clarified. Section 40 does not define the position where an execution is in process at the time when an administration order under Section 130 is made, nor does Section 41 refer to service on the sheriff of notice of a petition under Section 130.

(4) *Personal Representatives' Right of Retainer*

The foundation for the rule that a personal representative of a deceased person has the right to retain assets out of the estate for a debt due to him from the deceased in preference to all other creditors of equal degree is apparently to be found in the inability of the representative to sue himself and thus to obtain priority as a judgment creditor of the estate. Since this priority to judgment

creditors applies only in cases where the death occurred before 1926, it is suggested that the time has come for the rule of retainer to be reconsidered.

13. **A Register of Undischarged Bankrupts**

In view of the possibility that existing undischarged bankrupts may remain undischarged indefinitely, it is suggested that there should be a public register of undischarged bankrupts containing prescribed information. This is a new idea in this country.

It seems to the Council that creditors' facilities for discovering whether a person is an undischarged bankrupt are not adequate. It is true that receiving orders, adjudication orders and orders of discharge are advertised in the *Gazette*, and that Section 155 of the Act throws on an undischarged bankrupt the duty, in certain circumstances, of providing creditors with a warning that he is an undischarged bankrupt or with the means of discovering this fact. Banks and other organisations obtain information from the *Gazette*, but they use this for their own purposes, and it is not always easy for a cautious trader to obtain the information, in spite of the publicity given to it.

In addition, it seems to us that the proposition can be put on a somewhat broader basis than that of the interests of creditors or intending creditors of the bankrupt. A question of special personal status with special disabilities is involved. We do not think that it is carrying the argument too far to say that it is in the general public interest that it should be possible to find out by reference to a public register who these persons under special disabilities are and where they live or carry on their activities.

We therefore suggest that consideration be given to this proposal. It is not an entirely new idea. We are informed that it was at one time the practice in New Zealand to publish annually in the New Zealand *Gazette* a list of all undischarged bankrupts. This was discontinued in 1936, but we are informed that a card index is now kept. It would obviously be an onerous undertaking to publish annually in this country a list which would initially contain particulars of upwards of 60,000 undischarged bankrupts, but the idea of making this information available to the public seems to us to be right.

Such a register might contain the name in which the bankrupt was adjudicated, with the date and place of the adjudication order and, if they are introduced, a note of any caveats against automatic discharge which may be entered against him. Bankrupts should be under an obligation to notify any changes of address or of name (by whatever process) to the Official Receiver, and these particulars too should be recorded in the register. A person's name should be removed from the register when his discharge became fully effective or on his death while an undischarged bankrupt. Machinery would have to be provided for the notification of these particulars. Some expenditure of public money would be involved, but we think it would be justified. One effect of the maintenance of such a public register might be to induce more bankrupts to apply for their discharge in order to remove their names from the register. The additional publicity may have more than one use.

## SECTION D

**Amendments to Bankruptcy Law calculated to bring bankruptcy procedure into nearer conformity with liquidation procedure**

The object of the following suggestions is to assimilate as far as possible the law and procedure under the Bankruptcy Acts with the law and procedure applying in winding-up.

At present regulations exist which require different treatment under each procedure for similar sets of circumstances. It would facilitate insolvency work if the regulations were as nearly as possible the same.

(1) **The Doctrine of Relation Back**

The liquidator's title in general relates back to the date of the resolution for voluntary liquidation; or in compulsory liquidation to the date of the petition, if no voluntary liquidation precedes the petition.

In bankruptcy the trustee's title relates back to the first act of bankruptcy committed by the bankrupt within the three months next preceding the petition. It is this which renders the position of the trustee under the deed of arrangement so difficult. The trustee's title to assets in bankruptcy might be made to commence at the date of the petition as in liquidation. If this be accepted, it would come under consideration for the amendment suggested in Section B (4) above.

(2) **The Order and Disposition Clause**

This is another technicality which in practice can operate artificially and often unjustly to persons supplying goods to the bankrupt on sale or return.

The order and disposition clause has not been introduced in companies' liquidation, though if it had much value, there is no reason why it should have been omitted. In the interest of uniformity of procedure, it might be omitted in bankruptcy.

(3) **Preferential Debts**

The omission from bankruptcy of the subrogated rights of third parties advancing money to pay wages and holiday pay is a cause of confusion which should be remedied by its being introduced in a new Bankruptcy Act. See Section C, paragraph 7 (2), above.

(4) **Landlords' Rights of Distress**

The landlord of a company would appear to have rights which are not available to the landlord of a bankrupt. There would seem to be no reason why these rights in bankruptcy should not be made analogous to those in winding-up.

(5) **Execution Creditors' Rights**

There is no provision in the Companies Act, 1948, similar to Section 35 (2) of the Bankruptcy Act, 1914, which defines the position where a judgment creditor levying an execution and a landlord with a power of distress are competing for the goods.

If the landlord's rights in a bankruptcy are assimilated to his rights in liquidation, the process should be carried on to Section 35 (2) of the Bankruptcy Act.

(6) **Trustees' Remuneration**

In bankruptcy a trustee is not allowed any percentage on assets realised by the Official Receiver, while in the winding-up of companies he is. There seems to be no good reason for this difference.

(7) **Procedure**

There are differences in details of procedure as between winding-up and bankruptcies — for instance, with regard to proxies (see Section C, paragraph 2), which might be abolished. It would be preferable to follow the procedure on winding-up.

# N.P.V.

IN A DEBATE in the House of Commons on May 4, the Parliamentary Secretary to the Board of Trade, Mr. Derek Walker-Smith, gave the blessing of the Government to shares of no par value. He applauded the findings of the majority of the Gedge committee (see ACCOUNTANCY for May, 1954, pages 168–173, and June, 1954, pages 211–213).

"But," continued Mr. Walker-Smith, "there is one respect in which the report is perhaps incomplete . . . it does not spell out in detail the practical and consequential difficulties in the sphere of legislation." Changes in the company law would be significant though, except for the recommendations on reconstructions and amalgamations (which were "not an indispensable feature of the introduction of no par value") they would not be elaborate. However, much consequential legislation would be needed on taxation. The definition of whole-time service directors in director-controlled companies related to shares of nominal value, so that amendments in the profits tax would be needed. Similarly, for profits tax purposes there would have to be amendments in the statutory definition of a subsidiary company and in the specified fractions of Ordinary share capital. Legislation would have to cover questions about the distribution of capital not taken into account in computing liability to profits tax. Similar points would arise for income tax. For surtax, legislation would have to deal with such questions as the definition of control of companies by not more than five persons. In estate duty, the valuation of holdings in private companies, which could depend on ascertained fractions of the aggregate nominal amount of the shares and debentures, would have to be redefined. Again, there would have to be new provisions so that stamp duties payable on capital would still be levied on companies with no-par-value shares.

The formidable programme of legislation that would thus be needed to bring in no-par-value shares meant that the Government could not bind itself to find time for the reform at an early date, concluded Mr. Walker-Smith. But it is to be hoped that the necessary legislation will be introduced as soon as ever the Parliamentary programme allows.

# An Early Accounting Textbook

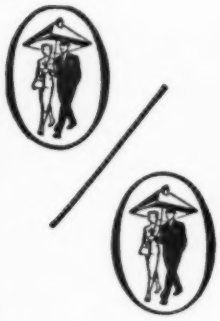
By R. A. HODGSON, B.COM.
Lecturer in Commerce, University of Southampton

IT IS A commonplace that the foundations of modern Britain were laid in the eighteenth century. Conquest and settlement overseas, interrupted only by the loss of the American colonies, brought the British Commonwealth and Empire into being. The agrarian revolution of the first half of the century, and the subsequent industrial and commercial revolutions, set the form of the body economic and politic in this country. In that age of struggle and discovery the minor arts of accountancy and pedagogy were necessary elements in the expanding economic life of the time, and were not unrepresentative of its spirit. Of this an example can be found in the contribution of one William Weston to the teaching and practice of accounting, as British trade required it.

William Weston is described in the British Museum catalogue as a schoolmaster responsible for two books, *The Complete Merchant's Clerk, or British and American Counting-House*, first published in 1754 in London, and *Specimens of abbreviated numbers, or an Introduction to an entire new species of Arithmetic*, published in London in 1765. His first book, apparently, went into a second edition in 1761 and into a third in 1781, when it was issued by R. Baldwin at a price of five shillings. The copy before me as I write was the property of a Mr. Thomas Fox, who acquired it in 1783. Mr. Fox became, twenty-six years later, a founder-partner of the firm of Fox, Steele, Seymour and Gunner of Bishop's Waltham, Hampshire, a private bank which outlasted all its better-known rivals—indeed, it survived until 1953. The original partnership was composed, as those banking firms frequently were, of local people and a London member to keep the bank in touch with metropolitan business. Mr. Fox was the London partner in the partnership. He must have been a young man when he had the book, perhaps only at the beginning of his commercial career, and it may well have done for him what *Fieldhouse* did for later clerks and students, or *Favell* for a more recent generation still. It was intended to do so, at any rate, for in his preface the author made large claims:

> The Number of Treatises, &c. &c. &c. on Book-keeping, did not deter the Author of this Work from writing on that useful and important Subject: *Every* Treatise, Essay, &c. which hath hitherto been published, being absolutely deficient in Essentials; and seem to be only the Productions of People, acquainted with some few Rudiments of the Art; which obliged them to confine their Work to a Sort of Theory; and for want of a true Knowledge in the mercantile World, were entirely unacquainted with that Expansion and Latitude, this Art will admit of; . . . His Knowledge of these Errors and Observations, first induced him to write and publish this Work; in order to extirpate the many Abuses and Corruptions, crept into the public Schools; giving herein Rules deduced from Facts, and from mere Matters of Trade, in all the Varieties, that a real Application of several Years in most Branches of Merchandize, has given him an Opportunity of being acquainted with . . . And as the generality of Youth, who learn this Art from the several Academies in London, are intended for the Factories in some Quarter of the World, the following Sheets are in a more

# 3%



**Income Tax paid by the Society.**
Equivalent to **£5.4.4** per cent to investors subject to the standard rate of income tax.

## SAFETY-FIRST INVESTMENT

### ★ *Income Tax Paid*

The interest rate of 3 per cent per annum on Share Accounts, income tax paid by the Society, represents a return on every £100 invested equivalent to **£5.4.4** per cent to all investors subject to the standard rate of income tax. Ordinary Deposit Accounts earn 2½ per cent per annum, income tax paid, which is equivalent to **£4.6.11** per cent where the standard rate of income tax is paid. Amounts up to £5,000 are accepted by the Society.

### ★ *Interest Half-Yearly*

Interest, which is paid half-yearly, commences from the day after the investment is received and continues to the date of withdrawal. Sums invested may be withdrawn at convenient notice.

### ★ *Security of Capital*

Abbey National is one of the largest and oldest established building societies in the country, with £237,000,000 total assets — a token of the confidence of more than 500,000 investors.

*Ask today for details at your nearest Abbey National office, or write to the address below for the Society's Investment Booklet.*

**ABBEY NATIONAL**
**BUILDING SOCIETY**

**A national institution with total assets of £237,000,000**

ABBEY HOUSE, BAKER ST., LONDON, N.W.1 Tel. WELbeck 8282

**Branch and other offices throughout the United Kingdom: see local telephone directory for address of nearest office**

CV3-362



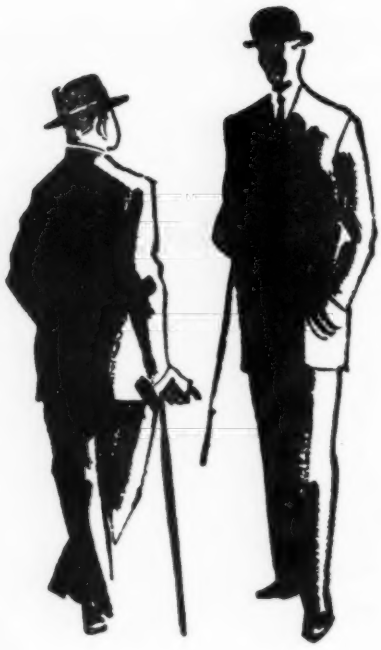
Strange that an assembly of 2,400 parts (which is what an Imperial '66' is) should possess such human characteristics as friendliness and good behaviour, quickness and loyalty. But an Imperial '66' does make you think in those terms. Lucky typist. Lucky employer.

Quick work-well done

# Imperial

typewriters

IMPERIAL TYPEWRITER CO. LTD. LEICESTER AND HULL



# How *does* the smaller firm raise new capital?

As long as credit restrictions are in force, this may be difficult. For those firms concerned in work of national importance, the best answer may be ICFC. The Corporation provides long-term loans and share-capital, in amounts between £5,000 and £200,000.

Ask your own accountant, solicitor or bank—or write for our booklet, "Capital for Business and Where to Find it."

ICFC

**INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED**

*Head Office:* 7 DRAPERS GARDENS, LONDON, E.C.2. NATIONAL 8621/5

*Branches:* BIRMINGHAM—214 HAGLEY ROAD. EDGBASTON 4181 LEICESTER—31 FRIAR LANE. GRANBY 854

MANCHESTER—73 WHITWORTH STREET. CENTRAL 5429 LEEDS—HEADROW HOUSE. LEEDS 2-2727

EDINBURGH—33 CHARLOTTE SQUARE. EDINBURGH 30212

TGA FSA/1

particular Manner calculated for their Instruction: For, till the first Edition of this Book (as all Writers seemed to imagine Book-keeping in Factorage and Wholesale Trade to be entirely the same) Youth, so finished and destined to be in Factories, were consequently deficient in Essentials. This Work then, *the first of the kind ever published in Europe*, was intended to remove these Errors, and render them capable of *perfecting themselves* in Factory, at their setting out into Life . . .

The factories of the eighteenth century were the descendants of those (generally fortified) establishments in the East in which, in the previous century, the factors or agents of the British and Dutch trading companies lived. By the time of "William Weston, Merchant," as he describes himself on the title-page, both in India and in the West Indies and North America, the development of our oversea settlement had surrounded the agents with extensive territories, and a safe and profitable trade was flourishing. It was for this commercial life that Weston wrote his book.

The first part, which runs to 60 pages of text followed by 75 pages of model accounts, is not original in its subject-matter, being a treatise on *The Italian Method of Book-keeping by double Entry*. The merit and interest of the work here lies in the treatment: William Weston set himself to explain and illustrate the elements of accounting so that an intelligent young man could learn it without a teacher, and I think that he succeeded. Particularly useful is the way in which a complete exercise is worked through the books, with notes appended to every step explaining (as a teacher would do orally in a blackboard demonstration) why it is taken. Of course the journal plays a very prominent part in his system and the balance sheet (in the form of a ledger account) a very minor one; nevertheless, it would be possible to grasp the essentials of accounting theory from the primer and go on to a modern textbook with very little trouble. As for Weston's pedagogy, a brief quotation must suffice to illustrate it:

> . . . the Method . . . to journalise *Goods bought on Credit*, is to make *the Goods received Debtor to the Person of whom bought*; in which Case the *Goods* or *Thing* received is *Sherry*, which *Sherry* must be made Debtor: But the Question must be asked, *Of whom*, or *of what*? And the Person or Thing answering to such Question *will always be the Creditor . . . Of whom was it received*? Of *James Jordan*; consequently *James Jordan* must be Creditor . . .

That William Weston, Merchant, was or had been also a schoolmaster seems clear from the immediately ensuing passage, which reveals a knowledge of the ways of students that is not yet out of date:

> I would advise the Learner by no means to anticipate his Knowledge of these Rules by peeping into the Journal [that is, into the elaborate worked example he gives later] to see how any particular Case is managed, for thereby he certainly must deceive himself; but in case he does not aim at the Ingenuity of playing the Jugler with his own Understanding, I apprehend his Journal Posts may sometimes prove erroneous; and consequently there may be Erazements and Blots in his Books from such Errors: But this may be avoided by Journalising first on a Piece of spare Paper.

The set of accounts with which this part of the book ends affords a picture of the typical trading of the day, in which the merchant's domestic and business affairs ran side by side. Thus, three consecutive entries read:

> Bought a Silver Tea-kettle and Lamp, for which I paid £19. 19.; Paid for a Set of Books for my Compting-House £7. 17. 6.; Paid my Housekeeper her Bill of Expenses, £35. 0. 7½.

A little further on we find:

> Received by the Hands of William Roberts in full of a Legacy left me by my Uncle William Johnson £500.; Paid my Book-keeper his Quarter's Salary and Bill of Charges £42. 17. 6.

And, again:

> Gave as a Benefaction to the Foundling Hospital £200.

The liberality of the gift was possibly due to Uncle William's bequest!

The second part of the book (separately paginated) is the longer, consisting of 48 pages of text, 80 pages of worked examples, 5 folding pages of sales book, and 30 pages of appendix, including a variety of information about products entering into the West Indian trade. Weston observes:

> among the many who are capable from such Application [to factory business] we have not yet found any but the Author of this Treatise that has had Inclination to write on the Subject: For few People are willing to labour through the Precariousness of the Sale of a Work, unless their Connections with the Instruction of Youth, or others in the Science, becomes the Inducement, which was the case at the first publication; in order (from the Author's real Experience in Trade) to shew the many glaring Errors of your more common Place-writers, who confine themselves to one Roundelay of exhausted Examples, and cannot be supposed to give Rules they are not acquainted with, or Methods of conducting Books they could not be supposed to know.

Accordingly, he produces a practical guide to the everyday affairs of a factor which, in its casual acceptance of that vanished world, brings it before the reader more vividly than any formal history could. One section opens:

> Merchants, who establish Gentlemen as their Factors in the *West Indies*, seldom leave the Management of their Affairs to one single Person; but settle two, three, or more, in one House; so that should any of the Partners die (as is but too common) the Administration is in the Hands, and the Business still conducted, by the surviving Partners.

Obviously, what West Africa was in the nineteenth century, the West Indies were in the eighteenth; but the mortality was accepted as one of the hazards of existence, and the trade went on. And an important part of that trade was in human bodies, to Weston, as to most of his contemporaries, a natural and normal thing:

> Selling these Slaves differs in nothing from selling other Merchandise but that the Purchaser pays the Inland-duty of 20s. *per* Head, which is not noticed in the Account Sales; nor are the privileged Slaves of the Captain and Doctor, to be observed in your Account: The Rates of selling them, are as those of other Goods. I have known *Gold-Coast* Slaves fall to £30 and £40, and a few months after *Ebo's* and *Mundingoes* rise to £50 and £60.

Most sadly illuminating, perhaps, about what the dealing in "this Article" meant are the entries in the model books, where we read "For 1 Negroe Man £50" below "For 1 Pipe Madeira Wine £50," and elsewhere "5 Boys 1 Girl; Neg. meagre and sick £50." It is all part of the "Cargoe" of the *Indian Prince*, William Meanwell, Master (is this a stroke of saving sarcasm?) from Bristol and Africa—the infamous "Middle Passage." But to criticise our author for failure to realise the iniquity of a profitable and legal trade would be unfair. There is a climate of opinion prevailing in each age that only the strongest minds can resist. William Weston was a factor whose daily work included slave-trading. He did his best according to his lights by keeping the records of that traffic as exactly as possible, and made his contribution to the practice and teaching of a science that can claim to be morally neutral, if any can. His pioneer work, two hundred years old, deserves at least the small tribute of this notice.

TAXATION

# The Finance Bill

THE STANDARD RATE for 1955/56 remains at 8s. 6d. in the £ and the surtax rates are to be fixed in the next Finance Act.

There is to be excluded from total income of an individual, interest on deposits with the Post Office Savings Bank or ordinary deposits with a Trustee Savings Bank up to £15. For this purpose a wife's income is dealt with separately from her husband's, so that they can have £15 each exempted. The exemption does not apply to surtax and the amount of interest so exempted from income tax has to be treated as a net amount and grossed up. With income tax at 8s. 6d. this means that surtax will have to be paid on £26 if the interest received reaches the maximum of £15.

**Offices and Employments**

Schedule E is to have three Cases added to it. These are to be:

| | *Residential Qualification* | *Emoluments Chargeable* |
|---|---|---|
| Case I | The person holding the office or employment is resident and ordinarily resident in the United Kingdom and does not perform the duties of the office, etc., wholly outside the United Kingdom in the year of assessment. | Any emoluments for the year of assessment. |
| Case II | The person is not resident or, if resident, then not ordinarily resident in the United Kingdom. | Any emoluments for the year of assessment in respect of duties performed in the United Kingdom. |
| Case III | The person is resident in the United Kingdom (whether ordinarily resident there or not). | Any emoluments received in the United Kingdom in the year of assessment, being emoluments either for that year or for an earlier year in which he was resident there and any emoluments for that year received in the United Kingdom in an earlier year. |

Expenses and capital allowances are deductible under Cases I and II by the existing Rules regarding deductions. Under Case III, however, there may be deducted any expenses defrayed out of the emoluments and any other expenses defrayed in the United Kingdom in the year of assessment or in an earlier year in which the holder of the office has been resident, provided that the expenses are such as might have been deductible under Rule 7 of Schedule E if the emoluments had been chargeable under Case I.

A person who is in the United Kingdom for some temporary purpose only and not with the intention of establishing residence is not to be treated as resident in the United Kingdom if he has not, in the aggregate, spent at least six months there in the year of assessment, but is to be treated as resident if he has spent at least six months. If a person ordinarily performs the whole or part of his duties in the United Kingdom, then for the purpose of Cases I and II his emoluments for any period of absence from the office or employment are still to be treated as arising in the United Kingdom except in so far as it can be shown that but for that absence they would have been emoluments for duties performed outside the United Kingdom.

The above applies for 1956/57 onwards and tax for that year or any subsequent year is not to be chargeable in respect of emoluments from an office or employment under Case V of Schedule D or under any other provision of Schedule E, except the new Cases.

**Residence**

The fact that a person who has been resident and ordinarily resident in the United Kingdom maintains a place of abode available for his use therein is not to affect the question whether he is resident in the United Kingdom when he is performing the duties of his employment full time and wholly outside the United Kingdom.

**Delayed Remittances**

A person who receives remittances from sources assessable under Cases IV or V of Schedule D or Case III of Schedule E is to be allowed to spread them back if he can show that remittance was delayed because of the law of the territory where the income arose or the action of its Government or because of the impossibility of obtaining foreign currency in that territory, and that the inability was not due to any want of reasonable endeavours on his part. If a person is granted a pension or increase of pension retrospectively the amounts paid in respect of previous years are to be treated as arising in those years. A claim may be made as respects income received in the year 1951/52 or any subsequent year.

**Suspension of Investment Allowances**

Effect is given to the Chancellor's statement that investment allowances are not to apply to expenditure

incurred after February 17, 1956, except for expenditure on the provision of ships; expenditure on industrial buildings or structures or on plant and machinery which is incurred in adding to any building, machinery, etc., already in use, as insulation against loss of heat, or incurred on modifying or replacing plant in the United Kingdom in the interests of fuel economy. The Treasury is to prescribe by statutory instrument orders dealing with expenditure on fuel economy. The Section is to apply for the year 1955/56 and subsequent years. In the case of profits tax it will have effect in respect of the appropriate proportion of any accounting period that ends after February 17, 1956.

For the year 1956/57 and onwards the expenditure incurred on preparing, cutting, tunnelling or levelling land is to be included in the cost of industrial structures for the purpose of capital allowances. Capital allowances are also to be given for expenditure on dredging for the benefit of vessels coming to, leaving or using any dock or other premises occupied by a person for trade purposes, provided that the dock or premises qualify as an industrial building or structure.

**Surtax**

Where any income included in residuary income of an estate for surtax purposes has also been taken into account in valuing the assets for estate duty, there is to be deducted from the residuary income the gross equivalent of the estate duty payable on such accrued income. The estate duty is to be found by apportioning the duty on the whole estate.

**Information**

The Inspector of Taxes is to be entitled to demand from any person carrying on a trade or business a return of all payments made in the course of the trade for services rendered by persons not employed in it; for services rendered in connection with the formation, acquisition, development or disposal of the trade or any part of it by persons not employed in it; for periodical or lump sum payments made in respect of any copyright. Every body of persons carrying on an activity that does not constitute a trade or business may be required to make a return of all payments of a kind specified in the notice made in the course of carrying on the activity by persons not employed by the body or periodical or lump sum payments made in respect of any copyright. The return is not to include any payment from which income tax is deductible or where the total payments to any one person do not exceed £15.

**Retirement Annuities**

A person who is self-employed or holds an appointment which is not a pensionable one and pays a premium for an approved annuity contract having the main object of providing him with a life annuity in old age is to be given relief by deducting the premium from his earned income. Any annuity received in due course will be treated as earned income. Various rules are laid down with which we shall deal at a later date. In particular, except in special circumstances, the annuity must start to be payable after attaining the age of 60 or before attaining the age of 70 and must not be capable of surrender, commutation or assignment. The contract must not provide for payment of an annuity to any person other than the individual or that individual's widow or widower, except where the Commissioners under special circumstances shall allow. The contract may provide for a return of premiums (with reasonable interest or with profits) to an individual's estate if he dies before "pension" age. It will be permissible for the annuity to be payable for a term certain not exceeding five years notwithstanding the annuitant's death within that term. The relief is also to apply to a provision under a trust scheme approved by the Commissioners of Inland Revenue. A controlling director of an investment company is not to be given relief in respect of his earnings as such director. The maximum amount that can be set aside in any one year is £500 or one-tenth of the net earnings for the year, whichever is the smaller sum. If the earnings for one year fall, a deficiency can be carried forward to following years. (See also the article on pages 212–4).

Assurance companies doing annuity business are to be given exemption from income tax on income from investments and deposits belonging to the annuity fund so used.

**Annuities Other than Retirement Annuities**

A purchased life annuity other than a retirement annuity is to be treated as containing a capital element which would escape tax. A formula is laid down for calculating the capital element. For 1956/57 and subsequent years the new relief will extend to life annuities already purchased.

**Profits Tax**

The profits tax is to be increased as from April 1, 1956, to 30 per cent. with non-distribution relief of 27 per cent. The necessary legislation is included to deal with distribution charges, relief for repaid loans, and increased dividends. The dividends caught will be those declared after April 16, 1956, in respect of an accounting period beginning before the end of March, 1956, but not before the end of October, 1955.

If a grouping notice has been given by a principal company as respects its subsidiary, the notice will cease to have effect if neither of them is engaged in carrying on a trade or business or if either of them ceases to be resident in the United Kingdom. If a principal company becomes exempted from profits tax because the whole of its income has been apportioned to its members for the purposes of surtax, any subsidiary company in respect of which a grouping notice has been given will remain liable to profits tax.

Where share capital is repaid at a premium, any sums applied in the repayment are to be treated as distributions of profits so far as they exceed the total amount received for the shares when they were issued. The same thing is to

apply on the repayment of a loan. Any sums so caught as distributions will not be caught again under Section 31, Finance Act, 1951.

**Death Duties**

Where settled property (other than property settled by the deceased) passes on death by reason of the termination of a life interest and at the time of the death there is payable out of the income of the settled property an annuity limited to cease on another death, the value of the annuitant's interest in the settled property will not be liable to estate duty on the death in question.

If, within three years after a death, land or an interest in land in Great Britain is compulsorily acquired by or sold to a public authority possessing compulsory purchase powers, the valuation of the land can be reduced to the price paid by the public authority and any estate duty on the difference repaid. Any compensation for loss of development, etc., has to be taken into account.

The power of the Commissioners of Inland Revenue to accept property other than land in satisfaction of estate duty is to be extended to enable them to accept any work of art which the Treasury regard as pre-eminent for its aesthetic merit. The exemption of works of art when sold to the National Gallery or certain other institutions is to be extended to a sale to the Minister of Works where he buys under the Historical Buildings and Ancient Monuments Act, 1953.

Contrary to expectation, the Bill contains no provisions for preventing the avoidance of estate duty on gifts *inter vivos*.

**Stamp Duties**

Where the consideration for the purchase of land and buildings does not exceed £3,500 the duty reverts to one per cent., with a sliding scale up to £5,000. Any body of persons carrying on the business of granting life annuities may come to an agreement with the Revenue for paying the stamp duty on the annuity contracts on an account.

**Miscellaneous**

Income tax and estate duty are not to be chargeable on Indian and certain other pensions paid to non-residents.

# Tax Reserve Certificates

IN THE TAXATION NOTE on pages 464–65 of our issue of December, 1955, we drew attention to the absurdity of the high return given to surtax payers who buy tax reserve certificates with which to provide for payment of tax as income arises. The increase in the rate from 2½ per cent. to 3 per cent. (see our April issue, page 142) makes us revert to the questions we then propounded. Why is the inequity of freezing interest by reference to date of purchase continued and why is full surtax exemption on the interest given, with the result that the yield is so enormous? In 1955 the rate of tax-free interest rose by four stages from 1 per cent. to 2½ per cent.

To a man with an income over £15,000, the most recent issue gives an effective yield of 40 per cent. with the rates of tax of today.

We suggest that the interest should not be entirely exempt from surtax. Is it because the uptake of tax reserve certificates is not relatively large and the total interest going to any one individual is not a big sum, that the Treasury resorts to what is really an unjustifiably expensive type of borrowing? We cannot think it is intended to be a disguised subsidy!

By all means, give the taxpayer the opportunity and incentive to set aside income for tax as the income arises but how can it be necessary to make it so much worth while?

And how can it be justified to give a man interest at only 2½ per cent. per annum for up to twenty-four months if he bought certificates on February 28, 1949, but 3 per cent. if he bought a day later?

*Example:* (Assuming 1955/56 rates of tax)

A man with an income for surtax purposes of £12,000 is due to pay on January 1 in a year of assessment surtax of £3,037 10s. 0d. and income tax (Schedules A and D) of £3,300; and to pay on the following July 1 income tax (Schedule D) of £1,220. He has a holding of £10,000 3 per cent. tax reserve certificates bought one year before January 1.

He surrenders them as follows:

| | *Tax Reserve Certificates* | *Interest* | | | | *Total* | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | £ | s. | d. | | £ | s. | d. |
| Jan. 1 | £6,150 | (12 mths) | 184 | 10 | 0 | | 6,334 | 10 | 0 |
| July 1 | £1,150 | (18 mths) | 51 | 15 | 0 | | 1,201 | 15 | 0 |

Certificates can be surrendered only in multiples of £25. Balances are payable in cash.

On the following January 1 he would surrender the balance of the holding towards the tax then due, with other certificates bought in the meantime. The interest on the balance, £2,700, would be for two years, or 6 per cent., namely, £162.

To bring him in £184 10s. 0d. additional spending money would require a return of 30 per cent. on the £6,150 involved.

# CHEQUES? or NO CHEQUES?

*Two views on a subject vital to your business*

**NOWADAYS many firms are paying their bills by the Credit Payments method. Why? Not only because it relieves Directors from the monthly chore of signing innumerable cheques. Nor because the savings in postage, printing, and bank charges are considerable. It is the automatic and unchallengeable accuracy of all payments records that make this Kalamazoo method so worth-while.**

**PAYMENT of accounts by cheque also offers many practical advantages. Using the Kalamazoo method, cheque and Cash Book entries are made simultaneously, thus saving time and avoiding posting errors. Bank reconciliation is simplified. There are no cheque stubs to write up. Cheque payments are understood by all, and are a suitable method for large and small firms alike.**

*WHICH OF THESE TWO METHODS DO YOU PREFER? Whether it is Cheques or Credit Payments, we can give you some valuable suggestions for both.* POST THE COUPON BELOW FOR THE FACTS

**Kalamazoo**
LIMITED

*Kalamazoo Ltd., Birmingham,* 31.

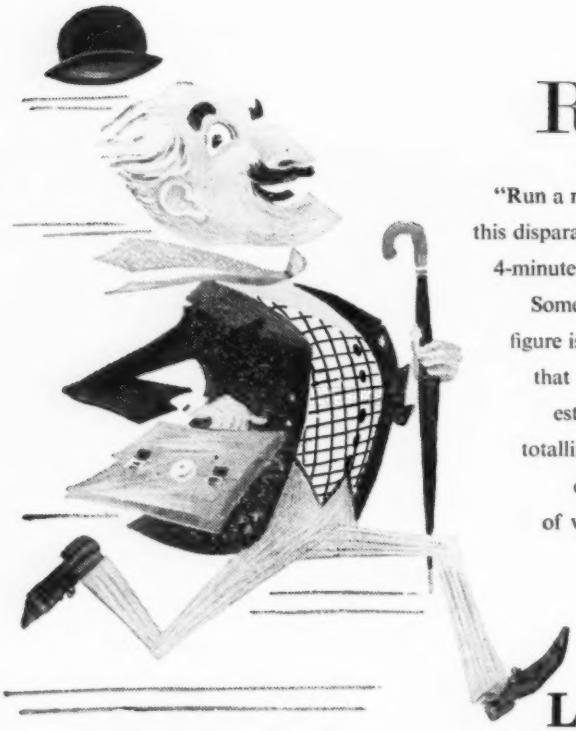
*Please give me full information about Kalamazoo Payment Methods without any obligation on my part.*

**Name** .....

**Firm** .....

**Address** .....

**AC** .....



# Record breaking

"Run a mile in 3 mins. 30 secs.? The human frame won't stand it." Yet this disparaging comment could be an echo of what *used* to be said about the 4-minute mile. It takes no account of those who cannot resist a challenge. Some records, of course, go to the other extreme. The enormity of the figure is the criterion, and it is to this latter category of record breaking that Legal & General belongs. For example, in 1955 the Society established a further record for Life Assurance with new sums assured totalling £115,020,108. So much trust by so many people underlines the confidence the public has in the Legal & General. It is something of which the Society is very proud. It is proud, too, in offering an insurance service which covers practically every type of policy from Plate Glass to Pensions.

**LEGAL & GENERAL**
ASSURANCE SOCIETY LIMITED

CHIEF ADMINISTRATION: 188 Fleet Street, London, E.C.4. Telephone: CHAncery 4444

In selecting a Building Society investment on behalf of a client, consider the SERVICE offered by . . .

**NORTHAMPTON**
TOWN AND COUNTY
**BUILDING SOCIETY**

INTEREST RATE
**3%**
INCOME TAX PAID BY THE SOCIETY
*Equals nearly 5½% if you pay Income Tax at full rate*

ABINGTON STREET, NORTHAMPTON
Telephone: 2136 (5 lines)
*London Office—*
105/7 KINGSWAY, LONDON, W.C.2
Telephone: CHAncery 8392 (3 lines)

Established 1848 | Assets exceed £26,000,000

**pitman**

**BOOK-KEEPING AND ACCOUNTANCY**

By A. Munro. Revised by A. Palmer. 19th Edition. Here is the latest edition of this familiar, students' textbook. Adopted by most of the teaching bodies throughout the world, it covers the whole field of book-keeping. 14/6.

**THE TECHNIQUE AND PRINCIPLES OF AUDITING**

By Andrew Binnie and Brian Manning. 2nd Edition. This well-known book has now been completely revised and brought up to date, and includes the requirements of the Companies Act, 1948, and the Solicitors Accounts Rules. 35/- net.

**STORES ACCOUNTS AND STORES CONTROL**

By J. H. Burton. 5th Edition. 15/- net. ". . . Any manufacturers wishing to organize their stores efficiently will find this book valuable."—*Techniview.*

***Parker Street, Kingsway, London, W.C.2***

*Proof:*

| | £ s. d. | £ s. |
|---|---|---|
| 30 per cent. on £6,150 | | 1,845 0 |
| Income tax at 8/6 = | 784 2 6 | |
| Surtax at 9/6 = | 876 7 6 | |
| | | 1,660 10 |
| Available balance | | £184 10 |

Similar workings, affected by the total income of the following year, would give equally fantastic results.

Assuming there is also income tax due, so that there is no cash payment on account of surtax and that the certificates earn interest for a full year at 3 per cent., the subpended table shows the equivalent rate of gross interest that would have to be earned if the tax satisfied out of interest on the certificates were to be satisfied out of that gross interest. Current rates of tax are taken into account and it must be appreciated that the addition of such gross interest would take it into the next higher rate of surtax.

At 1955/56 rates of tax, with interest at 2½ per cent. the top rate of yield is 33⅓ per cent.; with interest at 1 per cent. the top rate is 13⅓ per cent.

It seems obvious that any business house would impose a limit!

**Dividends Paid out of Interest on Tax Reserve Certificates**

In our opinion the certificates have largely failed in their object, which should be to get the tax in advance from the large companies. Even the new rate (equivalent with tax at 8/6 to £5 4s. 4d. per cent. gross) does not appear to be enough for that purpose, particularly since if the interest is distributed as a dividend, it is regarded as a net sum which has to be grossed for surtax purposes (*Hutton* v. *C.I.R.* [1953] 32 A.T.C. 144). We cannot agree with that decision. The following words of Mr. Justice Upjohn show the argument on which he founded his judgment:

> In my judgment the true solution is to be found in these considerations. The company in the course of carrying on its business has made profits. Upon those profits it has to pay tax, and it can pay tax in two ways, either by waiting for the due date, and then paying cash out of its general fund standing to the credit of profit and loss, or by making an estimate of its tax liabilities and making provision by the purchase of tax reserve certificates well in advance of the due date, and in due course surrendering those tax reserve certificates and claiming interest thereon. If the company follows the latter course, the result is that its general fund standing to the credit of profit and loss is larger than it otherwise would be or, what comes to the same thing, it has had to deplete that fund by less than it would have had to had it paid its tax in cash. All that has happened is this, that the general fund standing to the credit of profit and loss has been swollen by the sum of £78 13s. 4d. The case is analogous to receiving a discount on a trade debt. The company is left with a larger general fund to the credit of profit and loss, and not with a separate item in its profit fund representing a tax-free item.

It was held in *National Provident Institution* v. *Brown* (1919–21) 8 T.C. 57:

(1) that the whole difference between the price paid for a Treasury bill and the sum realised by the purchaser, whether by holding the bill until maturity or by selling it or converting it before maturity, represents a profit chargeable to income tax under Case III of Schedule D, and that no part of that profit is an accretion of capital;

(2) that a profit so made constitutes income of the year in which it is received; and,

(3) (Viscount Cave dissenting) that, in order to be chargeable to income tax for a particular year in respect to income from any source, a person must possess that source of income in that year.

(This case was not referred to in the *Hutton* case.)

It is difficult for an accountant to appreciate why a profit which constitutes income (and would under the *National Provident* principle be assessable under Case III were it not specifically exempted) does not come under the rules laid down in *Gimson* v. *C.I.R.* (15 T.C. 595) and *Neumann* v. *C.I.R.* (18 T.C. 332) that a dividend paid out of profits not chargeable on the company by reason of the rules relating to the measurement of taxable income, could not be taken into account for the purposes of surtax.

As an extreme case, suppose a company started business on April 6 and made up accounts to April 5. It made a profit of £20,000 on wnich the income tax payable was £8,500. It had bought tax reserve certificates for £8,350 bearing interest at 3 per cent. for six months to the due date of the tax, i.e. it surrendered:

| | £ | s. | d. |
|---|---|---|---|
| Tax reserve certificates | 8,350 | 0 | 0 |
| Interest thereon .. | 125 | 5 | 0 |
| | £8,475 | 5 | 0 |

The remaining £24 15s. 0d. would be payable in cash.

As accountants, we should regard the net amount available for distribution (ignoring profits tax which introduces too many anomalies) as:

| *Total Income* | *Surtax* | *Rate of income tax plus surtax on any addition to such total income* | *Equivalent gross interest to tax reserve certificate interest at 3 per cent.* |
|---|---|---|---|
| £ | £ s. d. | | |
| 2,500 | 50 0 0 | 11/– | 6.67 |
| 3,000 | 112 10 0 | 12/– | 7.50 |
| 4,000 | 287 10 0 | 13/– | 8.57 |
| 5,000 | 512 10 0 | 14/– | 10.00 |
| 6,000 | 787 10 0 | 15/– | 12.00 |
| 8,000 | 1,437 10 0 | 16/– | 15.00 |
| 10,000 | 2,187 10 0 | 17/– | 20.00 |
| 12,000 | 3,037 10 0 | 18/– | 30.00 |
| 15,000 | 4,462 10 0 | 18/6 | 40.00 |
| over 15,000 | | 18/6 | 40.00 |

| | £ | s. | d. |
|---|---|---|---|
| Profits .. .. | 20,000 | 0 | 0 |
| *Less* Income Tax | 8,500 | 0 | 0 |
| | 11,500 | 0 | 0 |
| Interest on tax reserve certificates | 125 | 0 | 0 |
| | £11,625 | 0 | 0 |

Looking at it from the view of the decision, the resulting amount is the same:

| | £ | £ |
|---|---|---|
| Profit .. .. | | 20,000 |
| Income Tax .. | 8,500 | |
| Tax reserve certificates interest .. | 125 | |
| | | 8,375 |
| | | £11,625 |

According to the *Hutton* decision, if this were distributed (tax at 8/6) it would represent an income of £20,217, made up, of course, of the £20,000 profit plus £217 representing the gross of the tax reserve certificate interest which is specifically exempted from tax and seems, therefore, to be covered by the *Gimson* and *Neumann* decisions. There never was a taxable income of £20,217!

# Taxation Notes

**Valuation of Produce Consumed**

The long battle between the Revenue and taxpayers on the basis of valuation of produce consumed by farmers, market gardeners and the like appears at last to have been resolved.

Readers will remember that the fight has been referred to in these columns, from time to time. The question usually arose where there was a loss, as in the following illustration:

| | |
|---|---|
| Total sales .. .. | £500 |
| Domestic consumption at market value .. | £100 |
| | £600 |
| Loss for year .. .. | £900 |

The Revenue took the view that the domestic consumption should be valued at cost, which they said would mean adding 100/600 × £900 = £150 to the valuation, reducing the loss to £750. Many readers accepted this interpretation; some, indeed, agreed with it. As he has stated in these columns, the writer has always refused to accept it, except in one small case where he accepted a token increase to settle quickly. His grounds were that market value was the only practicable method of valuation; it was impossible to arrive at cost without full costing records. If a farmer produced only one crop—say potatoes—and it failed, leaving only a few potatoes which the farmer used in his house, it would be rank nonsense to charge him with the whole cost of the failure.

Even after the *Wernher* decision, the Revenue seemed reluctant to accept market value (though it will benefit the Revenue in many instances) but repayments are now proceeding in cases that have been held up pending the House of Lords decision in that case.

Retailers may find themselves worse off if they have to bring in the retail value of groceries, etc., used domestically. No doubt we shall see some examples of "taking in each other's washing!"

**Waste**

During the month of April each year, accountants find themselves flooded with income tax return forms, each of which is accompanied by four or eight pages of notes, in small print, for the guidance of the taxpayer in completing his return. For surtax payers, there is a further smaller sheet with notes on each side. Enquiries have elicited the reply that it would be uneconomical to issue some forms with notes and some without. We think the point should surely be examined further. In the writer's own office, dozens of notes go straight into the waste paper box. Many thousands must suffer the same fate in other offices.

Moreover, in our view, the notes are far too voluminous. To our knowledge, few of the taxpayers we meet—and they are many—ever try to read the notes, and of those who do, fewer still try to understand them.

Their aim is obvious: to remove from the taxpayer grounds for excuses for making mistakes in his return. But do the notes really serve this purpose?

It would be interesting to find out what proportion of taxpayers make out their own returns without professional assistance! There is an increasing practice of sending returns addressed to clients at their advisers' offices. Is it beyond the ingenuity of the Department to devise a scheme whereby at least those returns would be sent out without the notes?

The Income Tax Acts yearly become more complex and full of traps for the unwary. No business transaction can be undertaken without considering the taxation repercussions. The notes touch only the fringe of the Acts. If they must be issued, need they be so voluminous or detailed?

**Profits Tax and Capital Allowances**

The treatment of capital allowances and balancing charges for profits tax purposes requires care, because of the different treatment of investment allowances.

For income tax purposes, capital allowances, including investment allowances, and balancing charges are calculated for years of assessment in the basis period for which the expenditure was incurred (for balan-

cing charges, in the basis period for which the asset was realised).

*Illustration.* A company making up accounts to June 30 in each year, purchased new plant in the year to June 30, 1955, costing £4,000. The basic rate of annual allowance was 7½ per cent. It also scrapped plant which had a written-down value of £1,250 (cost £5,000), and realised £400 for the scrap.

The capital allowances for 1954/55 were: initial, £200; annual, £720; and for 1955/56 they were initial, £160; investment, £300; annual, £637; balancing £120. There was a balancing charge of £340 in 1955/56. These all arose on plant (7½ per cent. basic rate) and left a written-down value of £6,103.

The capital allowances for 1956/57 will be:

| | | £ |
|---|---|---|
| Written down value b/f .. .. | | 6,103 |
| *Less* written down value of plant scrapped .. .. .. | | 1,250 |
| | | 4,853 |
| Additions .. .. .. .. | | 4,000 |
| | | 8,853 |
| 1956/57 Allowances: | | |
| Investment .. .. | £800 | |
| Annual 7½% .. .. | 664 | |
| Add 1/4th .. .. | 166 | 830 |
| | 1,630 | |
| | c/f | £8,023 |

Balance allowance £1,250 - £400 = £850.

For profits tax purposes, against the profits of the year to June 30, 1955, will be charged:

| | £ |
|---|---|
| Initial and annual allowances, 1954/55 £920 × ¾ .. = | 690 |
| Do., 1955/56 £797 × ¼ .. = | 199 |
| Balance allowance 1955/56 £120 × ¼ .. .. .. = | 30 |
| Investment allowance 1956/57 = | 800 |
| | 1,719 |
| *Less* Balancing charge 1955/56 £340 × ¼ .. .. .. = | 85 |
| | £1,634 |

Except for the investment allowance for profits tax purposes, there is a most unfortunate delay in the effective relief. This is well exemplified by a company making up accounts to April 30, which bought new plant costing £10,000 on May 1, 1954, i.e. in the year to April 30, 1955. If the basic rate is 10 per cent. the allowances available will be:

| | |
|---|---|
| 1956/57 Investment allowance .. | £2,000 |
| Annual allowance .. | 1,250 |

For income tax purposes, relief is therefore given against the income tax due on January 1, 1957, i.e. 32 months after the money was spent.

For profits tax purposes, relief for the investment allowance is given in the accounts to April 30, 1955, which is reasonable; but the annual allowance will not be given until later, viz. by deducting the allowance as to 1/12th of £1,250=£104 against the profit of the year to April 30, 1956, and 11/12ths of £1,250=£1,146, against the profits of the year to April 30, 1957.

The sooner we get on to the "actual" basis of assessment the better, though it seems that the "powers that be" are in no hurry.

**Surtax and Controlled Companies—The Chancellor's Umbrella**

Sir H. Webbe, the Member for the City of London, asked the Chancellor of the Exchequer in the House to what extent the policy stated by his predecessors on June 11, 1947, and July 22, 1948, in regard to the practice of the Special Commissioners in not issuing directions under Section 245 of the Income Tax Act, 1952, to companies that pursued a policy of dividend limitation, applied to companies formed since June, 1947.

Mr. Macmillan replied that companies formed after May 31, 1947 (and companies formed before but whose first accounting period ended after that date) were not within the statements referred to, because they had no period ending before June, 1947, the dividends for which were available for the purpose of the comparison with subsequent dividends implicit in the statements.

In practice, however, continued the Chancellor, the spirit of the statements was observed in dealing with such companies. While the fact that they paid no dividend before 1947 did not give them a right to claim a *nil* standard dividend for that purpose, the opening years of the business were considered on their merits (having regard *inter alia* to the need to plough back profits for maintenance and development). If the Special Commissioners had accepted as reasonable a dividend payable after the business had become established, they made no direction if that rate of dividend was maintained, without avoidance devices, in later years.

***Clitas***

The Budget release of *Current Law Income Tax Acts Service* was dated April 19, 1956—two days after Budget day. It set out the Budget resolutions affecting the main volumes of the Service, with a commentary on the effect of each.

Release 33, dated May 4, 1956, deals with the Finance Bill so far as it affects income tax and profits tax, with the usual full annotation and cross references.

**Double Taxation—Central Africa Federation**

The Order in Council embodying the double taxation agreement with the Federation of Rhodesia and Nyasaland has been published as Statutory Instrument No. 619 of 1956 (Her Majesty's Stationery Office, price 6d. net). (See ACCOUNTANCY, January, page 20, and March, page 97.)

**Accountancy**

The air mail edition of ACCOUNTANCY is available either for subscription on a permanent basis or for odd periods (for example, to cover a temporary stay abroad). It is printed on special thin paper, and the oversea subscriber receives each issue only a few days after publication at the beginning of the month in London.

The extra charge for a year—additional to the normal subscription of £1 1s.—varies from £1 10s. (Cyprus, Egypt, Israel) to £2 2s. (Australia, Japan, New Zealand). For destinations of intermediate distance, including the whole of North and South America, it is £1 16s. The charge for shorter periods is proportional. This covers only the cost of air mail postage, that of the special paper being borne by ACCOUNTANCY.

**by Air**

# Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

**Income Tax**

*Trade—Saw-mill and joinery works—Purchase of standing timber under agreements with special features—Whether sums paid deductible in computing profits or capital payments.*

**Hood-Barrs v C.I.R.** (Court of Session, Inner House, December 21, 1955, T.R. 347) arose out of agreements with unusual features. The appellant, who had large business interests in England and had had an extensive but chequered experience in the English Courts, had other interests in the Isle of Mull. From the judgment of Lord President Clyde, it appears that in 1947, "very shortly before entering into the first of the two contracts" the appellant commenced business in the island as timber merchant, saw-miller and joiner. He held 49 per cent. of the issued shares and was a director of Chalmers Property Investment Co. Ltd., a company owning certain forests. On September 30, 1947, and September 30, 1948, by agreements between himself and the company, he agreed to buy certain growing timber as specified in the agreements for £24,275 and £24,900 respectively; and these sums were duly paid. From the only accounts produced to the General Commissioners it appeared that the two contracts formed much the most important item in the business, but, to the Lord President, the crucial factor was their "very special nature." Under them, the appellant did not purchase the trees which, his Lordship said, remained the property of the selling company until severance. He had, however, the right to enter on the land of the company and to fell and remove the trees. In neither agreement was there any time limit or any provision for clearing the sites. Appellant could select which trees he would take up to a specified number of each type of tree and under one agreement they had to be of a specified average size.

The appellant had appealed against assessments made upon him, trading as the Killiechronan Saw-mills and Joinery Works, for the years 1947/48 to 1951/52, both inclusive, and the General Commissioners in their stated case had found that the primary question for their determination was whether the said sums payable were deductible in computing appellant's trading profits. They had given their decision in principle in favour of the Revenue, their stated intention being "to uphold the contention of the Inland Revenue on the matter of principle involved. The Commissioners decided that the two sums referred to in the two agreements for the purchase of timber were capital payments."

Unfortunately for everyone, as it turned out, when the case came before the Court for the first time it was remitted to the Commissioners to make further findings of fact. Instead of complying with this direction, although they possibly thought that they were so doing, on May 26, 1955, they had issued "further findings" and on August 9 of the same year they had issued still further findings in what they called "clarification of and to be read in conjunction with the original findings." Both sets of additional findings were issued without the parties having been heard afresh. The stated case had thereupon been amended by the parties to incorporate the additional findings. Whilst, however, the Commissioners had adhered to their original decision they had supplemented it by two findings quite inconsistent with it. Referring to the two large sums in question, they had declared: "But as these payments did not purchase what can be regarded as fixed capital assets we must regard them as having been made from the circulating capital of the business." Their second finding was that the payments "constituted the purchase of stock-in-trade," and that "the timber specified in the case was, in fact, stock-in-trade of the appellant's business."

In view of the Commissioners "clarification" of their original findings, the Court was asked by the Crown to jettison the stated case and remit the matter to the Commissioners so that the proceedings might start afresh. The Lord President, however, said that there was no precedent for such a thing, and added, significantly, that in any event he did not consider, in the light of the history of the case, that the course suggested would serve any useful purpose. He also pointed out that the appellant wished the Court to decide the issue upon the findings now incorporated in the stated case. After reviewing the history of the problem in the Courts and reciting the facts of the case, the Lord President said that in none of the reported cases had so enduring a right as that obtained by the appellant been regarded as a proper item deductible in computing trade profits and, on the facts, it was not possible to conclude that the price paid for the selective right represented payment for the raw material of the business. The Commissioners, he said, in referring to stock-in-trade had confused an agreement to sell with a sale; and he held that the amounts paid under the two agreements were inadmissible as deductions in computing the trading profits. Lords Carmont and Russell agreed. Lord Sorn, giving the only other judgment, said that the Commissioners "had purported upon the same facts to give two different and opposite determinations" and, even if the revised findings were regarded as a decision in the appellant's favour it would still be for the Court to decide whether there was evidence in its support. He held that as a result of the two agreements the appellant had bought a concession over certain woodlands, and that the Privy Council decision in *Kauri Timber Co. Ltd.* v. *New Zealand Commissioner of Taxes* (1913, A.C. 771) was nearer than other cases: Lord Shaw in that case distinguished between a sale of timber for immediate severance and a sale for severance during a prolonged period during which there would be the natural increment of the trees.

The Court, having decided unanimously against the appellant on the primary issue, did not have to consider the question whether, in any event, the payments were proper commercial prices for the timber. The fact of there being such an issue between the parties is, of course, not without significance.

**Income Tax**

*Trade—Mining finance company—Dealings in stocks and shares—Agency and secretarial services for mining companies—Large shareholding in one such mining company—Agreement for sale of shareholding—Condition of sale that compensation be paid for termination of services — Whether compensation a trading receipt.*

**The Anglo-French Exploration Co. Ltd. v. Clayson** (Ch. February 29, 1956, T.R. 37) was noted in our issue of February last (page 58). As there

# The School of Accountancy

## Highly Successful Courses

★ **FOR ARTICLED CLERKS**—Sound, authoritative, complete Courses for the Institute, Society and Association Examinations.

★ **FOR AUDIT CLERKS**—The famous "Safe Pass" Courses for S.A.A. and A.C.C.A.

★ **FOR QUALIFIED MEN**—I.C.W.A. Courses with concessions; and Training for Management.

★ **FOR CAREERS IN INDUSTRY**—Incomparable I.C.W.A. Courses.

★ **FOR JUNIORS**—Carefully graduated Courses in Book-keeping, Auditing and all Commercial subjects. Specialised Courses for the Prelims.

*Post coupon, or write, to*

**THE SCHOOL OF ACCOUNTANCY**

**105 Regent House,**
**6 Norfolk St., Strand,**
**London, W.C.2**

***45 years of Successful Educational Service***

**105 Regent House,**
**2 West Regent Street,**
**Glasgow, C.2**

***POST THIS COUPON TODAY***

**Please send me a copy of your Prospectus. I am interested in the Examinations of the Institute/Society/Association***

*Name* .....

*Address* .....

.....

.....

***If you are interested in other Examinations, or in non-examination tuition, please add details. 105**

## An excellent agency offer
### to professional men

**BELMONT FINANCE CORPORATION LTD.**
**BANKERS**

**Registered Office: 22 Queen Street, London, E.C.4**
**Branches in the principal cities of the U.K.**

Professional Men are invited to apply for Agencies of our Banking Department. The remuneration is not solely an introductory fee, but continues as long as the client's account is with the Belmont Finance Corporation Ltd.
There is no limit to the amount of Capital which the Corporation can accept. Interest 7% per annum.

The strength of the security offered by the Corporation lies in the following factors:—

1. There are no debentures, and it is not proposed to place anything in priority to the Depositors' security.
2. The ratio of paid-up Capital and Reserves to the total of Deposit and other accounts was approximately 20% at the end of April, 1955.
3. Total Assets £500,000 0s. 0d.

A copy of the Accounts can be obtained on application.

**Place your clients' savings on deposit with the**

**BELMONT FINANCE CORPORATION LTD.**
**Today's Finest Investment**

Send for Brochure to The Secretary, Belmont Finance Corporation Ltd., Belmont House, Westcote Road, Reading

## FINANCE BILL 1956

Be ready to effect

# YOUR RETIREMENT ANNUITY

and to advise your clients of the opportunity open to them.

Until legislation has been passed it is not possible to be precise. Write today, however, for full details. They will be forwarded as soon as the position has been established.

*For Mutual satisfaction consult:*

**NATIONAL PROVIDENT INSTITUTION**
**FOR MUTUAL LIFE ASSURANCE**
— Established 1835 —
**48 GRACECHURCH STREET, LONDON, E.C.3**
Telephone: MANsion House 1481

# Young Arthur was a bit dumbfounded

Who'd have thought when he went in for that essay competition that he'd come out right on top and be the richer by £100. But "men of money" have their worries and what foxed young Arthur was where to put the money so that it would be safe and earn a bit of interest into the bargain.

Mr. Barnes, the accountant, put him right on that score. He recommended the Co-operative Permanent Building Society and now Arthur's capital is earning 3% with income tax paid and all the advantages of safety and easy withdrawal.

Mr. Barnes often wonders just how many people have accepted his advice about investing with the Co-operative Permanent but he is sure that all have been grateful for his recommendation. Any day you may be called on to advise on safe investment. May we send you details of the Society's investment services?

## CO-OPERATIVE PERMANENT

**BUILDING SOCIETY**

NEW OXFORD HOUSE, LONDON, W.C.1

*CITY OFFICE: 163 MOORGATE, LONDON, E.C.2*

ESTABLISHED 1884 · ASSETS EXCEED £125,000,000 · 95 BRANCHES

*Member of the Building Societies Association*

pointed out, it had been argued by counsel on both sides as being of the same genus as *Wiseburgh* v. *Domville*, a case before the Court of Appeal at the same time and to be noted in a later issue. Nevertheless, whilst in the latter case the question whether compensation for the termination of an agency was taxable was one of stark simplicity, in the present case there were other factors. These had enabled Harman, J., to agree with the decision of the General Commissioners—but upon the footing that the amount received by the plaintiff was not compensation for loss of office at all. In the Court of Appeal, his decision was unanimously affirmed but leave was given to appeal to the House of Lords.

The company was a finance company particularly concerned with mining in South Africa. It had held for many years a large holding, amounting to one-third of the total share capital, in Kleinfontein Estates and Township Ltd. A slightly larger shareholding was held by the trustees of the late Sir George Farrar and each holding was represented by two nominee directors on the Kleinfontein board. The plaintiff company had for many years acted under a written agreement as agent and secretary of Kleinfontein at an annual fee of £1,500. The agreement was terminable at six months' notice on either side; but so long as the owners of the two big blocks of shares co-operated, the agreement could not be terminated against the wishes of the plaintiff company. In May, 1949, another finance company, Philip Hill Securities Corporation Ltd., made an offer of 35s. per share for the shares in Kleinfontein. It was part of the offer that, when more than 50 per cent. of the issued shares had been acquired and control of the company obtained, the Philip Hill company would pay to the plaintiff company £20,000 in consideration of its resignation of its office as agent and secretary. The offer had been accepted, and in due course the £20,000 had been paid. Part of it had been paid over by the plaintiff company to the Farrar trustees, the net amount retained by the plaintiff company being £16,138 (the basis of the division is not revealed in the report).

It was conceded by the Crown that the £20,000 was not part of the purchase price of the shares; and Evershed, M.R., said that the agency agreement was worth a sum like £20,000 only so long as the plaintiff company and its friends the Farrar trustees controlled the Kleinfontein company. In the course of his judgment he said that apart from the authorities there was much to be said for the simple view that a sum of money received for the giving up or destruction of an agreement "under which you look to earn an annual sum is capital and not income," being fairly described as the capitalised equivalent of income prospects. Referring to the judgments in the *Kelsall Parsons & Co.* (1938, 17 A.T.C. 87; 21 T.C. 608) and the *Fleming* (1952, 33 T.C. 57) cases, where sums received as compensation for the loss of agencies were held to be taxable, Evershed, M.R., concluded by saying that the taxpayers in those cases were not dealers in agency contracts. He closed his judgment by saying that it was clearly established that the question had to be determined by the nature of the payment in the recipient's hands, and he held that Harman, J., had arrived at an entirely correct conclusion when he said at the end of his judgment:

> Apart from the holding of the shares, the secretaryship was worth little or nothing. It was only the appellants' special position that enabled them to obtain this money. It was in fact a sum earned in the course of the company's trade, namely, the sale of shares, and, even though not part of the purchase price, was only earned because of the holding of the shares and by way of inducement to part with them. On this analysis, as it seems to me, this was money earned by the company in the course of its trade, and, therefore, a trading receipt and must be charged to tax accordingly.

In the present writer's opinion the crucial point of the case is stated in the above passage. The £20,000 was clearly divisible into two elements. There was, first, the compensation for the loss of the agency fee of £1,500 per annum, out of which the plaintiff company had to provide the cost of office accommodation and secretarial assistance. The second element—which was one wherein the Farrar trustees were interested—was that the Philip Hill company was gaining the control of the company, an incorporeal but very real asset often of special importance in connection with the development of a mining area. As is generally known, a block of shares carrying control of a company will often command a far higher price than the ordinary market price per share, and it has to be borne in mind that the plaintiff company was not an investment trust company but a dealing company engaged in finance transactions. Whilst the loss of the agency contract, regarded simply as an income-producing asset, would seem to involve the same principle as that of the *Wiseburgh* case, the value of the "control" element in the £20,000 would seem to involve a different principle and possibly to require different treatment.

**Income Tax**

*Trade—Builder—Purchase and Sale of houses—Whether a property dealer—Income Tax Act, 1918, Schedule D, Case I.*

**Wager v. Watson** (Ch. February 21, 1956, T.R. 1) was a case where the appellant, a small builder and decorator, had purchased in the period from January, 1949, to September, 1950, nine houses, of which he had sold three in circumstances set out in the case stated by the General Commissioners. The latter had found that the appellant's "dealing with these properties" was an adventure in the nature of trade. Roxburgh, J., pointed out that it was not clear whether this expression referred to the three houses or to all nine, and inasmuch as the stated case was obscure in several other important respects he remitted it to the Commissioners for them to find the relevant facts on all nine houses.

The case touches on an interesting point. As is generally known, the sale value of a house subject to the Rent Restrictions Acts depends materially upon whether or not it can be sold with vacant possession. Where it can be so sold as a result of the death of the tenant or of some other cause entirely outside of the vendor's control, should the resultant benefit, which can be reaped only by sale, be regarded as arising from an "accident" of ownership or as being "incidental" to it? If the former view is held to be correct, it may be found that there is no tax liability: and it would seem as if Roxburgh, J., was of this opinion—although he will, no doubt, make this clear if the case comes before him again.

**Income Tax**

*Agency—Foreign company with English subsidiary—Manufacture of goods in England by subsidiary upon behalf of principal company and sale to foreign purchaser upon behalf of principal company—Whether English subsidiary assessable as agent of principal company —Income Tax Act, 1952, Section 369.*

**Firestone Tyre and Rubber Co. Ltd. v. Llewellin** (C.A. February 13, 1956, T.R. 17) was the subject of an extended note

in our issue of January last (page 20). Harman, J., had answered the question set out in the headnote in the affirmative and a unanimous Court of Appeal affirmed his decision, all three of their Lordships giving separate judgments. Leave to appeal to the House of Lords was given and, in the circumstances, only a brief note now would seem to be called for. In the writer's original note he drew attention to the fact that, in view of the extent to which foreign manufacturers, especially U.S.A. concerns, have established large industrial undertakings in this country, a very large amount of tax was involved in the question. At the same time he pointed out that in agency cases the line dividing liability from non-liability was fine; and it is this fact which in his opinion detracts from the importance of the case as a test one. It has been said that the Revenue is apt to "change the trumps in the middle of the game"; but the opportunity for doing this is not confined to the Revenue.

**Income Tax and Excess Profits Tax (Canada)**

*Trade—Valuation of trading stock—Company manufacturing non-ferrous sheets, rods and tubes—Whether "LIFO" or "FIFO" method to be followed—(Canadian) Excess Profits Tax Act, 1940, Section 3, Schedule II.*

**Minister of National Revenue** v. **Anaconda American Brass Ltd.** (Privy Council, December 13, 1955, T.R. 339), was the subject of a Taxation Note in our issue of February last (page 57) in which the facts were set out in some detail and the implications of the decision were discussed. Privy Council decisions are normally followed by the Courts of this country unless and until there is a contrary decision by the House of Lords: the extent of the field of application of the case is therefore an important issue. Viscount Simonds, giving the decision of the Council, said that it was implicit as the result of past judicial observations that:

> no assumption need be made unless the facts cannot be ascertained, and then only to the extent to which they cannot be ascertained. There is no room for theories as to flow of costs, nor is it legitimate to regard the closing inventory as an unabsorbed residue of cost rather than as a concrete stock of metals awaiting the day of process. It is . . . the failure to observe, or perhaps it should be said the deliberate disregard of facts which can be ascertained and must have their proper weight ascribed to them, which vitiates the application of the LIFO method to the present case.

Reverting to the facts of the case, the company, a subsidiary of an American company, purchased large quantities of non-ferrous metals which it converted into sheets, rods and tubes, 80 per cent. of its purchases consisting of copper. It maintained at all times by means of monthly purchases an inventory or stock of metals equal to about one-third to one quarter of its annual requirements. About two-thirds of its stock was continually in process in the plant, processing taking about eight weeks. In the event of a rise in the price of a metal, the company at once increased the prices of its products. Although the company's practice had been to use the LIFO method for its own corporate purposes, prior to 1947 neither it nor any other Canadian concern had used the method in making its returns for tax purposes.

During 1947, the price of copper had increased rapidly. On January 22 it had risen from 11.5 cents per lb. to 16.625 cents and on June 10 to 21.5 cents. (In connection with the problem the present writer would observe that on March 9 of the present year the London price was £425 per ton.) At the end of 1947, the company used the LIFO method for the first time in making its returns for tax purposes. It had then in stock 14,291,007 lbs. of copper which it valued at $1,355,837, made up as follows:

| | | $ |
|---|---|---|
| (*a*) | 6,500,000 lbs. at 7.5 cents per lb. (av. cost when LIFO was adopted in 1936) | 487,500 |
| (*b*) | 802,697 lbs. at 9.466 cents per lb.) (av. price paid in 1936) | 75,983 |
| (*c*) | 17,577 lbs. at 11.191 cents per lb. (av. price paid in 1937) | 1,967 |
| (*d*) | 639,807 lbs. at 10.443 cents per lb. (av. price paid in 1938) | 66,847 |
| (*e*) | 973,477 lbs. at 11.030 cents per lb. (av. price paid in 1939) | 107,433 |
| (*f*) | 3,151,684 lbs. at 11.5 cents per lb. (the price paid in 1945) | 362,444 |
| (*g*) | 2,205,765 lbs. at 11.5 cents per lb. (the price paid in 1946) | 253,663 |
| | 14,291,007 lbs. | $1,355,837 |

As regards the above figures, Viscount Simonds said:

> An expert witness called for the company observed that he did not imagine any of the company's witnesses would claim for a minute that there was a quantity of metal then on hand acquired in 1936 equal to the quantity which was "valued at the then cost." . . . the same thing would happen, so long as the business went on and existing stocks were not seriously diminished, in 1987 as in 1947, the closing inventory would carry stock to which 1936 costs would be ascribed. This illustrates clearly the LIFO method.

The appellant Minister valued the closing stock of copper at 21.5 cents per lb. making a total value of $3,072,566 and increasing the assessable income by $1,611,756. He pointed out that during 1947 the company had purchased 63,268,555 lbs. of copper and during the last three months of that year had purchased more at 21.5 cents per lb. than the stock in hand at the end of the year, which, as Viscount Simonds observed, could hardly have been processed during that year. The Minister was not concerned with any theoretical question of FIFO versus LIFO but with the attribution of proper cost to the actual stock in hand at the end of the year; and he contended that FIFO rather than LIFO represented the facts of the case.

In an early part of his judgment Viscount Simonds stated what it was that the company knew about its stock and what it did not know:

> It did not know and could not ascertain, either in respect of all the metals which it used during the year, what price had been paid for them, or in respect of all the metals which it had in stock at the end of the year what price had been paid for them.

The extraordinary rise in the price of copper during the last 20 years has been due to several causes including the fall in the value of money consequent on inflation. In so far as this last element has been the cause, it can be argued that unless something like the LIFO method is allowed its aggregate effect will be to show as taxable profit or as reduction of loss monetary depreciation. The value of this theoretical argument would seem to depend upon the extent to which a concern finances its purchases of raw materials out of its own financial resources or, as is the case with many trades, by means of seasonal borrowings. To the extent that the value of stock-in-hand at an accounts date is counterbalanced by borrowed money the argument would seem to lack validity.

As already indicated, the effect of the decision of the Privy Council is to make the determination of the cost of stock-in-hand at a given date a practical problem which has to have regard to that particular stock and that stock only. And where, as in the present case, there is a lack of essential data, the principle or theory to be applied is the one which, upon the particular facts of the case, is most likely to give the nearest approach to actuality.

# 1956 *until* 1976

## TO MARRIED MEN AND THOSE ABOUT TO MARRY

DIFFICULT YEARS. The early years are the difficult years; incomes are low—the children are young—the responsibilities are great. It is good counsel that a man should provide for those of his own house but the problem for the married man is how to spare the payments necessary to ensure sufficient protection for his dependants.

## There is no need to worry

### SCOTTISH EQUITABLE INCOME BENEFIT PLAN

guarantees £240 per annum from death until 1976. At age 30 the commencing cover totals £4,800 and the cost of this benefit is only £13. 19s. 4d. per annum limited to 15 years. We can quote for any amount of benefit.

11424.1.56

Y
are
-the
are
ould
the
pare
ient

TY
until
totals
only
ears.
efit.

*To*

SCOTTISH EQUITABLE

**Please send me full particulars of your Income Benefit Plan. I am interested in guaranteeing an income of £..... per month.**

*Name*.....

*Address*.....

.....

*Date of Birth*.....

**All information will be quickly provided with pleasure and without expense or obligation.**

Supplement to "Accountancy" (June 1956)

Postage will be paid by Addressee.

No Postage Stamp necessary if posted in Great Britain or Northern Ireland.

BUSINESS REPLY CARD
Licence No. EH. 218

SCOTTISH EQUITABLE
LIFE ASSURANCE SOCIETY
P.O. Box No. 55
28 ST ANDREW SQUARE
EDINBURGH

# The Month in the City

**Whither Bank Rate?**

A general improvement in quotations set in on the morrow of the Budget and continued into the first week of May. But there were two exceptions to the trend. The weakness of gold mining shares was accentuated, until they touched a fresh low for the new index on May 8; since then there has been a modest rally. In late April oil shares suffered somewhat severely from trouble in the Middle East but quickly rallied as soon as there seemed any prospect that a flare-up would be deferred. The appearance of the preliminary figures of *British Petroleum* and *Burmah Oil*, together with the full report of the *Royal Dutch-Shell* group, served to stimulate interest still further. Oil profits have been excellent, although there has been some disappointment over dividends. Lord Godber made it even clearer than in the past that the selling prices of the Shell group—and the same consideration cannot fail to apply to the other main companies—must provide, after taxation, a substantial contribution to new capital requirements. For the rest of the market, it was not very long before the accumulation of orders that had been awaiting the Budget was exhausted: business began to fall off, and with it, prices. But industrial equities did not turn downwards until the second week of May. The course of market prices scarcely reflects the intentions of Mr. Macmillan's Budget, or its probable results. Nor does it reflect other actions, actual and projected. There is beginning to be considerable talk of a fall in Bank Rate and the rate for Treasury bills has already fallen below 5 per cent. The gossip may well prove on the mark. The intention seems to be to curtail the supply of Treasury bills, if not absolutely, at least relatively to demand. This curtailment will no doubt be achieved, if at all, by the issue of funding stock on the pattern of the £250 million 3½ per cent. Treasury stock, 1979–81, offered on April 25 at 81. Applicants for over £1 million of this stock received about 88 per cent. and there have occasionally been sales, always at a premium over the issue price. It is widely believed that a very large part of the total was taken up "inside" but, if so, a considerable amount was financed by means other than the surrender of "tap" Treasury bills. Presumably this stock *plus* the issues by the nationalised industries taken up by the authorities last year, *plus* any further stock of longish dates to be issued in connection with the War bond redemption next August and to be absorbed officially in the first instance, will be peddled out over the months: the process should prevent any rise in medium-dated gilt-edged.

**Industrial Borrowing**

But if gilt-edged are likely to be on tap, there is evidence that demands on private savings by industry will also be substantial. It is generally supposed that industrial investment will be higher this year than last and there is a steady trickle of demands on savings, which would no doubt come forward faster were it not for the activities of the Capital Issues Committee. There is the usual diversity of opinion about whether it pays best to issue fixed interest stocks or equities. Usually, the issues prove to be of equities, but a number are at fixed interest and it is, therefore, all the more surprising that the one section of the market that has suffered no more than a very slight and temporary reverse since the Budget is that for fixed interest stocks. Admittedly the yields on these look very attractive. But the market is rather in the doldrums. As will be seen from the indices of the *Financial Times*, the changes between April 18 and May 24 are, in all categories, unfavourable: Government securities down from 87.32 to 86.58; fixed interest down from 96.74 to 96.34; industrial Ordinary down from 191.7 to 184.5; and gold mines down from 81.3 to 78.9. All these indices have stood higher in the interim, while gold shares have been down to 78.0.

**Steel of Wales Development**

One of the events of the month has been the announcement of stage three of the development programme of the *Steel Company of Wales*. The first accounts of this company since its separation from the *Richard Thomas* group showed, it may be recalled, total assets of some £125 million, including nearly £21 million spent but not producing in October, 1955. Further, there were capital commitments of £28 million on stage two which will probably be completed in a year from now. It is now proposed to spend before end-1960 a further £48 million on plans for a 600,000 tons expansion of steel capacity, most of it for sheet—largely motor car sheet—and tin plate. The cost figures are based on prices ruling last autumn and may well be far below the actual amount required. This scheme, with that of *Richard Thomas* and *John Summers*, should ease supplies of sheet, but it is understood that plans are well forward for another scheme, not yet sanctioned, to put up a new full-scale steel plant, probably in Carmarthen, near either Llanelly or Kidwelly, and possibly associated with *Richard Thomas*. Meanwhile, the bulk of the funds for the S.O.W. project will be found internally. It is, however, evident that this giant will be even bigger by the time it is offered to the public, and, while the real criterion is not size but good management—which this company certainly has—it will be a major operation to float the project.

**Steel Prices**

Two further developments in steel will affect the stock market—namely, a rise of some £2 per ton in the costs of British scrap and an increase of about 5 per cent. on average in the prices of iron and steel products, in so far as their prices are controlled centrally. The rise in prices is granted well in arrear of the increase in costs to which it is related and coal and transport costs have already risen further, or are about to do so. The adjustment in prices is, however, a pleasant relief for holders of steel shares, who can probably rely on increasing efficiency within the industry to make good the time lag between the rise in costs and selling prices. But it does mean an added burden for a large section of British industry. So far, nevertheless, there is no sign that rising prices are having the slightest effect on the total demand for steel, although there has been a cut—which may be temporary—in the offtake of light sheets for domestic equipment, accompanied by an increase in the demand for heavier items, much of which may go into exports. Motor sheet is selling in about the same volume, although rather more of what is taken is perhaps going to swell consumers' stocks than in the recent past.

# Points From Published Accounts

**"The Accountant" Annual Awards**

THIS YEAR the annual competition for companies submitting reports and accounts for awards presented by *The Accountant* included a separate category for companies requiring less complex accounts than the industrial giants. *Folland Aircraft*, with its twentieth set of accounts, is the first winner of this new award, which ranks equally with the "senior" award, won this year by *Associated Electrical Industries*.

The task of judging this annual contest must be far from an enviable one—and each year competition becomes keener. How far the institution of the awards themselves is responsible for this state of affairs it would be difficult to say, but it is certainly true that they have provided a useful focusing point for the progress that is being made in the presentation of financial information to company shareholders. The pair of hand-made silver wall sconces forming each prize, inscribed with the name of the winning company and specially designed to symbolise ancient and modern ways of depicting commerce and accountancy, are handsome and valuable, but already, in the short space of time that the awards have been open for competition, they have gained a stature that is far above the intrinsic worth of the prizes themselves, for there is much goodwill attaching to the winning of them.

A.E.I.'s winning accounts have not been handicapped by appearing in abridged form as a result of the recent dispute in the printing industry. The casual observer, comparing them with those for 1954, would find very little difference: the only worthwhile information that has been omitted this time are the comparative statements covering earlier years. In presentation the accounts are simplicity itself, and the only point we would contend with is whether it is a good thing to strike the trading profit after deducting a number of items, such as depreciation and interest. Even here, the criticism is mitigated by the fact that the deductions are also given in the aggregate, so that it is a comparatively simple matter to add them back if one wants to.

Undoubtedly much of the credit for A.E.I.'s success in winning the 1956 award must go to the review of the year by Lord Chandos which, as in previous years, accompanies the accounts. All the elaboration in presentation which has now come to be associated with the annual accounts of large companies is relegated to this booklet, which is excellently produced in full colour on art paper. Perhaps there is not the amount of detailed statistical information that would be found in the publications of other companies, but it would be difficult to find fault with the presentation, and this is one of the points to which the judging panel gives special importance.

Folland's accounts also achieve their aim through simplicity, and there has been no departure from the practice of former years. Two very attractive pictures of the company's principal product, the "Gnat" lightweight fighter, adorn the inside front and back covers, and all the information anyone could possibly wish for on the business is contained within the twelve pages. The financial statements are of orthodox presentation and there is no need for a section of notes; comparative figures stand out in red. The main feature of the accounts is the chairman's statement, which is liberally dotted with graphs featuring every aspect of the activities of the business, and one would think that it is this statement that must have won the business its award. Finally, there is a "pie" diagram giving an analysis of the revenue of the year: it has more than usual significance, for the full turnover figure is stated in the chairman's statement and one does not have to experience the irritation of working it out from the break-down of expenses given in the diagram.

**Circulating Assets?**

The importance of uniformity in the terms used in accounting and financial practice has long been emphasised in many quarters. In the balance sheet of *Gascoignes (Reading)* we find the term "circulating assets" used instead of the more familiar "current assets," although the second term is reverted to in the balance sheet of the partly-owned *Société Anonyme Gascoigne, France*, appended to the accounts of the main group. In itself, the term circulating assets is not incorrect: on the contrary, it is highly descriptive of the function of the assets concerned and is more readily understandable than current assets. But the fact remains that the term current assets is usual and any variation from it tends to be upsetting—even more so for the average shareholder, who may have no great aptitude for the intricacies of accounting. It is not being derogatory to the efforts of the Gascoigne directors to make the accounts more intelligible to point out that any other Board intent on the same idea might well use any of the terms "floating assets," "liquid assets," or "working capital," all of which are recognised in varying degrees as applying to the same thing. Experts may not be worried by the terminological variations, but they are frequently a cause of uncertainty and misunderstanding in the wider field of non-professionals interested in financial affairs. In this particular matter it seems best to stick to established practice.

**Capital and Revenue Reserves**

Another unusual departure from established practice occurs in the profit and loss account of *Doulton and Co.* Here the final profit residue, after dividends and deduction of the amount retained in subsidiary companies, is described as "increase in revenue reserves." It follows that there is no profit and loss account balance, as such, in the balance sheet. This is a most interesting development for the school of thought that has long held the view that balance sheets are far too cluttered up with specific reserves of one sort or another. Basically, there are only two divisions that matter in the reserves of a company—those derived from capital sources, and those derived from revenue sources. In the final analysis nothing else counts. It is merely being sanguine to imagine that because a company earmarks, say, £10,000 for a dividend reserve that money would not be used to buy stocks instead of paying a dividend if the very existence of the company depended upon it. Naturally there are those who will argue that the division of the reserves of a company throws important light upon the relative significance of different aspects of its trading. Certainly this argument has some ground—when, for instance, a business transfers a large part of its available surplus to a specific stock reserve, so throwing a spotlight on the stock position which may be endangered by the course of raw

# WOOLWICH POLYTECHNIC

DEPARTMENT
OF
COMMERCE AND MANAGEMENT STUDIES
OFFERS

**COMPLETE EVENING COURSES**

FOR THE
INTERMEDIATE AND FINAL
EXAMINATIONS
OF THE
SOCIETY OF INCORPORATED
ACCOUNTANTS AND AUDITORS

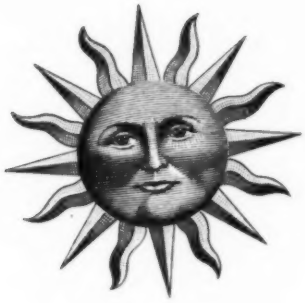
**PART-TIME DAY CLASSES**

ALSO AVAILABLE FOR
COMMERCIAL APPRENTICES

Class Instruction and individual attention by practical, fully qualified and experienced teachers

**WRITE NOW**

FOR PROSPECTUS FOR NEW SESSION TO
Mr. C. L. Wheble, Woolwich Polytechnic
Thomas Street, London, S.E.18



FIRE · ACCIDENT
MARINE

**Sun Insurance Office Ltd.**
THE OLDEST INSURANCE OFFICE IN THE WORLD

HEAD OFFICE
63 THREADNEEDLE STREET · LONDON · E·C·2
Branches and Agencies throughout the World

# Neville Industrial Securities Limited

**The Midlands Issuing and Finance House providing a complete service for industrial companies to obtain capital and for the proprietors of private companies to market their holdings, and make provision for Death Duties.**

*Public offers for Sale and placings during 1947-56*

**Concentric Manufacturing Co Ltd**
**George Edmonds Ltd**
**The Hill Top Foundry Co Ltd**
**Fletcher, Houston & Co Ltd**
**Prima Industries Ltd**
**W. & J. Lawley Ltd**
**Job Wheway & Son Ltd**
**Fordham Pressings Ltd**
**F. H. Tomkins Ltd**
**J. T. Price & Co Ltd**
**Zinc Alloy Rust-Proofing Co Ltd**
**Onions & Sons (Levellers) Ltd**
**Wm. Sanders & Co (Wednesbury) Ltd**
**R. & A. G. Crossland Ltd**
**Alfred Case & Co Ltd**
**John Hawley & Co (Walsall) Ltd**
**Bilston Foundries Ltd**
**Craddock Brothers Ltd**
**John Folkes (Lye Forge) Ltd**
**Gibbs & Dandy Ltd**
**Belgrave (Blackheath) Ltd**
**Hallam, Sleigh & Cheston Ltd**
**Strakers (Newcastle) Ltd**
**Elliot Paisley Ltd**
**Alfred Clough Ltd**
**Wm. Park & Co Forgemasters Ltd**
**Swinnertons Ltd**
**Arthur Wood & Son (Longport) Ltd**
**C. E. Ramsden & Co Ltd**
**Prestage Ltd**
**Fry's (London) Ltd**
**Sankey Green Wire Weaving Co Ltd**
**J. Hewitt & Son (Fenton) Ltd**

*Directors:*
G. ROLAND DAWES, F.C.A., F.C.W.A.
E. CARL REEVES, B.SC.(LOND.)
SIR GREVILLE F. LAMBERT, BART., F.C.A.

*Secretary:*
NORMAN E. HURST, A.C.A., F.C.I.S.

**Neville House, Waterloo Street, Birmingham, 2**

*Telegraphic Address:* 'TRUSTNEVIL, BIRMINGHAM'

*Telephones:* MIDLAND 5677–8–9

*Subsidiary Company:*
NEVILLE INDUSTRIAL SECURITIES (S.W.) LTD
Baltic House, Mount Stuart Square, Cardiff

*Telephone:* CARDIFF 32255

# *The Bank and the Pension Fund*

The provisions of this year's Budget have turned the attention of many groups and associations to the possibility of forming pension funds. The Bank's Trustee Department is well equipped to act as trustee of such a fund, and enquiries will be welcomed at any of the Bank's branches.

**BARCLAYS BANK LIMITED**

## CHARLES DOUBBLE
**LIMITED**

**COMPANY REGISTRATION AGENTS, COMPANY PRINTERS, SEAL ENGRAVERS AND STATIONERS**

**COMPANIES REGISTRY**

Information and assistance rendered to the profession in all matters relating to the Formation, Incorporation and Winding up of Companies.
New Companies Registered.
Mortgages, Charges and Debentures Registered.
Annual Returns, Resolutions and other documents stamped and filed.
Searches made and Office Copies obtained.

**COMPANY PRINTING**

Draft Memorandum and Articles of Association for a Private Company adopting with modifications Table A of the Companies Act, 1948, settled by Alexander P. McNabb, Barrister-at-Law (Lincoln's Inn). Post Free 3/9.
Memorandum and Articles of Association, Resolutions, Debentures, Share Certificates, Dividend Warrants, etc., printed with care and expedition.
All Forms under the Companies Act, 1948, supplied.

**SERVICE**

We welcome your enquiries in all the above matters, assuring you of our very best and prompt attention. Estimates free.

**10 BELL YARD, TEMPLE BAR, LONDON, W.C.2**

Telephone: HOLBORN 0375 — *Established 1845* — Telegraphic Address: DOUBBLE, ESTRAND, LONDON

# KING & CO

SURVEYORS, VALUERS & AGENTS

OF

**FACTORIES**

FOR

RATING, VALUATION & SALE

—

71 BISHOPSGATE, LONDON, E.C.2

London Wall 1961 (4 lines)

material prices. But surely a much more satisfactory practice is to deduct the stock reserve from the actual book value of the stocks. By and large, the writer feels that the system adopted by Doulton has more to its advantage than the more usual balance sheet presentation—particularly when at the same time it eliminates the pernicious practice of bringing forward the profit and loss balance from the previous year, adding this in with the latest net profit and then calling the result the amount available for appropriation. So it may be, but the practice thoroughly misleads on the actual earnings cover available for the dividend that is being paid.

**Variations from Standard**

Two comparatively minor points arising out of need for logical presentation of corporate assets and the need for a standardised nomenclature can be found in the accounts of *The Steetley Company*, and *Field, Sons*. The first of these companies shows its directors' fees immediately before the net balance for the year is struck—that is, after interest, depreciation, and taxation. Surely the normal practice is the more acceptable, especially when one stops to think that tax cannot be paid unless a profit has been earned, and a profit is most unlikely to be earned unless the directors' fees are paid! In the account of Field, Sons, the variation is that taxation is put in the appropriation section of the profit and loss account under the heading "national taxation."

**Voluntary Disclosure**

The accounts of the two largest shipping undertakings in the country, *Peninsular and Oriental Steam Navigation* and *Cunard Steam-Ship*, provide scope for an arresting comparison of presentation—not least because the directors of P. and O. have now undertaken to present the figures of the group without cloaking them under the provisions of the Companies (Shipping Companies Exemption) Order, 1948. This move has followed considerable criticisms from shareholders of the Board's earlier policies. It now remains only to ask why, when the largest shipping concern of all is prepared to give a "true and fair view" without masking it by taking advantage of the concession, other shipping companies, Cunard amongst them, still prefer to hide behind the Order. The decision by P. and O. has meant that the group surplus before taxation is £10.3 million instead of £8.3 million for 1954, and the balance sheet total is £193.0 million instead of £164.7 million. Naturally, these changes have taken place under the heading of fixed assets; the analysed comparison is as follows (we have abbreviated to thousands of pounds, but the company gives the figures to the nearest digit):

| | 1954 | |
|---|---|---|
| | *New Basis* | *Old Basis* |
| *Fixed assets* | £'000s | £'000s |
| Ships and small craft | 116,807 | 96,057 |
| Payments on account of ships under construction .. .. | 6,759 | — |
| Aircraft and engines | 1,776 | 1,776 |
| Properties .. .. | 7,107 | 6,316 |
| Plant and machinery | 1,753 | 1,734 |
| Subsidiaries not consolidated .. .. | — | 30 |
| Trade investments .. | 1,545 | 1,500 |
| | 135,747 | 107,413 |

Obviously these assets stand much nearer to their true valuation than they previously did: moreover, it is now possible to see just how much money of the business is tied up in ships still on the stocks. Far from doing any damage to the company such information provides a valuable argument for action to mitigate the difficulties at present being experienced by shipping companies. If other concerns would follow the good example, they too would find that their ability to answer criticisms from shareholders and others who are not well informed would be reinforced rather than weakened.

Neither P. and O. nor Cunard produces lavish accounts, in the style adopted by many of our leading industrial companies, and this year P. and O. has also suffered from the printing dispute. Bearing in mind that the dispute caused the company to print its accounts itself, they look very well. It is interesting to contrast, with the penchant of the company for a statistical presentation of some of a salient features of the business, Cunard's preference for pictures. The actual presentation of the accounts by both companies is quite orthodox, but P. and O. prefer to put the balance sheet figures for both years in adjacent columns on the right hand side of the page, while Cunard put the 1954 column on the left and the 1955 column on the right, with the text between. There is little to choose between the two methods, though it is easier on the eye to have the sets of figures adjacent.

**Too Many Columns**

As a rule it is easier to read a balance sheet with figures set out in juxtaposition, but the rule holds good only if there are not more than two columns of figures. Some companies make the horrible mistake of setting down both the parent and consolidated figures down one side of a page, or otherwise adding to the information, so that the reader has to plough through four adjacent columns. The otherwise excellently produced accounts of *Thomas Tilling* fall into this trap, as is shown by the extract from the consolidated balance sheet at the foot of this page.

Such additional information as the cost of the assets and the depreciation written off them would have been far better relegated to the notes in this instance. It may be noted that the company presents its profit and loss account American fashion, i.e. reading from left to right, but adheres to the orthodox presentation of its balance sheet. As a matter of principle it would have been better to stick to one style or the other throughout the accounts—in contrast with Thomas Tilling the *Prestige Group* which,

| | £ | £ | £ | *1954* £ | £ |
|---|---|---|---|---|---|
| | *At Cost* | *Depreciation* | | | |
| FIXED ASSETS | | | | *2,020,759* | |
| | | | | *250,259* | |
| Freehold Properties .. .. | 2,541,940 | 316,952 | 2,224,988 | | *1,770,500* |
| | | | | *131,892* | |
| | | | | *17,731* | |
| Leasehold Properties .. .. | 270,454 | 51,785 | 218,669 | | *114,161* |
| | | | | *2,658,291* | |
| | | | | *1,278,013* | |
| Plant, Vehicles, Furniture and Fittings .. .. .. | 4,029,234 | 1,888,676 | 2,140,558 | | *1,380,278* |
| | | | | *180,809* | |
| | | | | *2,500* | |
| Licences, Trade Marks and Patents .. .. .. | 157,166 | 9,232 | 147,934 | | *178,309* |
| | 6,998,794 | 2,266,645 | 4,732,149 | | *3,443,248* |

(Note.—The last two columns are given in red in the accounts.)

reflecting the American background of its business, has shown the share capital and reserves on the right-hand page of the balance sheet and the assets on the left-hand page, also makes the profit and loss account read from left to right, and is thus consistent.

**The Base Stock Method**

The trading profit of *Delta Metal*, amounting to £1,371,102, is struck after deducting "base stock" provisions of £460,000, a figure that is carried through into the balance sheet where, together with other provisions, it forms a total of £1,009,000 deducted from the stock figure. The explanation of this practice lies in the nature of the business of the group, for it deals with non-ferrous metals, which are subject to widespread fluctuations in price. It follows that on a rising market the business can make stock profits out of all proportion to its true earning capacity, while the converse holds good on a falling market. The dangers inherent in these ups and downs are self-evident, and it is for its own protection as much as anything else that the company has adopted the "base stock" principle of accounting. The procedure is outlined by Mr. W. E. Ogden in his statement accompanying the accounts. It is, briefly, to hold the balance sheet value of stocks constant at the minimum quantity essential to maintain the works in production. Thus there are always two conflicting trends running through the company's figures: in a rising metal market there is a profit accruing on stocks bought, going against a corresponding provision against stocks held at the year-end, and the two factors tend to even out the profit experience over a period. Obviously the system is not infallible, but it provides a useful approach to the difficult problem of accounting for "windfall" profits and the undue stock risks that go with them.

# Readers' Points and Queries

**Translation Work by University Lecturer—Tax Position**

*Reader's Query.*—A university lecturer translated from German into English a technical book. In August, 1954, he paid typing expenses of £25 and in October, 1954, received £50 on account of royalties in accordance with his agreement with the publishers. The Inspector of Taxes has raised an assessment of £50 for 1954/55 but does not admit the typing expenses of £25 which we claim as a deduction.

Our contention is that our client is an author and is assessable under Case II Schedule D on the £50 received less £25 expenses and, even if the assessment is made under Case VI Schedule D, we still consider the expense allowable.

*Reply.—It is suggested the Inspector's attention be drawn to the decision in* C.I.R. *v.* Maxse (*C.A.* (*1919*) *I.K.B. 647*). *From the statements made by the Judges it is arguable that a profession is being carried on by the university lecturer, particularly if it can be shown that he hopes to do further writing. In these circumstances the expenses of typing would be allowable.*

*The contention of the Inspector that if the assessment is under Schedule D Case VI the expenses of typing are not allowable is correct. Assessments under Case VI are on the annual profits arising —that is, the royalty. In* Curtis Brown Ltd. *v.* T. N. Jarvis (*1929, 14 T.C. 744*) *the Special Commissioners were satisfied that no allowance could be made for expenses incurred in the creation of the copyright. They are incurred in creating the source.*

**Tax on Wages Unpaid to Employed Wife**

*Reader's Query.*—Because of the poor results of his business a client took up employment, leaving his wife to run the business. Wages were charged for her and credited to a loan account in her name. There was not sufficient cash available for the wages to be paid. The Inspector contends that for the charge to be allowable the amount must be laid out or expended (Section 13 (*a*), Income Tax Act, 1952) and that at the date of the accounts there had been no diminution of my client's resources. The Inspector agrees that if the amount is paid over to the wife, paid by her into a bank account and then withdrawn by her and lent to the husband, the charge will be allowable.

*Reply.—Paradoxically, it is possible that the Inspector is correct. On the other hand, once money has been placed under the domination of a person it is treated, for income tax purposes, as having been received by him; in the case of an employee the Inspector of Taxes would have insisted on tax being paid under P.A.Y.E. as soon as the amount was credited to the loan account. The fact that the wages are too small to attract tax should not alter this principle. It seems farcical to insist on going through the motions suggested in the last sentence, and the point mentioned above should be put forward.*

**Investment Income and Profits Tax**

*Reader's Query.*—I read with considerable interest the Student's article *On Interpreting the Taxing Acts* (page 65 of the February issue of ACCOUNTANCY) and the note on *Franked Investment Income* (page 142 of the April issue).

Following the decision in the *Butterley* case, I took up with the Inspector a client's case which included unfranked investment income arising from Government stocks and wagon company debentures. Other readers may be interested in his reply, set out below. It will be observed that he uses the words "I am advised."

> In reply to your letter, I am advised that the facts in the *Butterley* case are considered to be exceptional and it is not thought that the existing practice in the treatment of franked and unfranked investment income will be affected by the House of Lords decision.

*Reply.—The House of Lords judgment as reported in* The Times *newspaper dated April 20, 1956, will make it somewhat difficult for the Revenue to support the Inspector. Further comment is deferred until the full report is available.*

# Letters to the Editor

**What is Turnover?**

Sir,—To reply further to the interesting arguments of Mr. Roberts (see the article on pages 85/86 of the March issue of ACCOUNTANCY and your correspondence columns in May, page 190), and in particular to his last provoking question of what bearing has the Sale of Goods Act, 1893, upon accounts, I would say that while the Act has indeed made a profound difference between a sale and an agreement to sell, as regards accounts the effect of the difference is negligible.

When I described the acceptance of an order for the supply of goods as a sale I fear I was guilty of carelessness: what I meant, of course, was to describe it as a contract of sale; a contract of sale includes, by definition by the Act, an agreement to sell as well as a sale. Part V of the Act states that where under a contract of sale the buyer wrongfully neglects or refuses to accept and pay for the goods, the seller may maintain an action for damages. The measure of damages is defined by Section 50 (2) as the estimated loss directly and naturally resulting from the buyer's breach of contract; where there is a market the measure of damages is *prima facie* the difference between the contract price and the market price.

Now a sale certainly gives wider remedies than an agreement to sell: besides certain proprietary remedies of a legal nature, the seller has the right to sue for the price of the goods; but owing to the definition of damages as above, the ultimate effect on the seller's accounts of a breach by the buyer of an agreement to sell is normally exactly the same as that of a breach of a sale. In view of this, surely from an accountancy aspect there is no justification for not calling any contract of sale, whether agreement or sale, a sale?

Yours faithfully,

P. F. RAVENSCROFT

*Walton-on-Thames.*

[Mr. Roberts replies: I will not repeat my earlier comments, but will confine myself to answering the last sentence of Mr. Ravenscroft's letter. In my view the "accounting aspect" is worthless unless it fully reflects all relevant legal considerations. Accountancy has reached the status of a learned profession and the application of legal knowledge to the recording of business transactions is a technique of that profession: a mere "debit and credit mixture," supported by concepts opposed to the legal position, cannot suffice. I submit that the points I have already endeavoured to make remain of supreme practical importance.]

**Should Turnover be Disclosed?**

Sir,—I enjoyed immensely the two articles in your May issue (pages 166–8) debating the question whether turnover should be disclosed or not. It is a refreshing change to find the defender of non-disclosure not relying on the "competitors" argument.

Additional arguments in favour of disclosure are logic, politics and prestige.

Disclosure of turnover surely enables accounts to be complete and logical. If I habitually start reading books at Chapter 3 or Chapter 5, I may possibly never miss the significance of the earlier chapters. I might still get the right impression from the story, but the odds are that I might not. In some cases the beginning is the most interesting part of the whole. Starting with "trading profits before deducting items per contra" is neither an appropriate nor a sensible way of beginning the accounting story. It is simply starting at Chapter 3.

The political aspects of disclosure should not be overlooked. How often do politicians and other exponents of double-talk rail against high profits and profit margins without knowing the vital relative figure of turnover. On the other hand, disclosure of turnover, particularly if linked with low profit margins, may bring both political and consumer prestige to the undertaking: an immeasurable asset on occasions.

The disadvantages of disclosure are possibly overrated by the contributor who took the opposing side in the debate. Expense, for example, is a trivial factor. Roughly half the bill is met by the Revenue in any case (not a brilliant argument, but one worthy of the average tycoon). Moreover, after the teething troubles the subsequent publication would be routine: the information should be readily available.

It is questionable whether there is "more productive" work than providing published accounts. Preparing accounts is surely the accountant's basic function, and published accounts represent the culmination of all accountants' work. Now if such accounts are made as informative, logical, and clear as possible, and are made available for use to as many people as possible, more productive use can be obtained from those accounts.

In any case, disclosure of turnover merits a trial even though there may be evidence that the figures will apparently benefit nobody or that economists do not deserve them. Like pure research, disclosure represents addition to knowledge. Occasionally pure research produces a winner that we cannot afford to be without.

Yours faithfully,

R. PEREIRA, A.S.A.A.

*Orpington, Kent.*

Sir,—Yes, turnover should certainly be disclosed.

It is time that the published accounts of an undertaking were regarded as an "account of stewardship" presented to the whole community, some of whom are its owners, some its operators, some its creditors and all, directly or indirectly, its customers. The key figure is "net-profit-before-tax." It ought to be a statutory obligation that a balance so labelled should be exhibited and that its meaning and the method of arriving at it should be statutorily defined as closely as possible (especially the basis of the provision for "depreciation"). Without such a definition the requirement that the account "shall show a true and fair view of the profit for the year" is quite literally meaningless.

We say glibly "unit cost + unit profit = selling price." In other words, "total cost + total profit = turnover." How can we even begin to consider intelligently whether or why any of the three factors in this simple but vital equation is too high unless we have reliable figures for all of them?

Yours faithfully,

R. E. JAMISON

*Rostrevor, Co. Down, N. Ireland.*

# Publications

**The Consolidation of Accounts.** By W. J. Fairbairn, C.A.(S.A.), F.S.A.A. Pp. iii + 123. (*Juta & Co. Ltd., Capetown:* Price 17s. 6d. net.)

I LIKE CHESS. I like consolidated accounts. So I enjoyed reviewing this book. It reminds me of those pocket chess books to which, when a game has gone wrong, a player can immediately refer to see how his opponent upset him by playing a variation unknown to him. For Professor Fairbairn's book is chock-full of examples and problems on the preparation of consolidated accounts. And, thoughtfully, for every illustrative example he gives a suitable exercise at the back of the book for the student to work through.

The book has been written primarily to help South African students in mastering the handling of consolidated accounts, a subject which appears, says the author, to give them much difficulty. Perhaps it is not surprising that the subject is found difficult, for the Companies Amendment Act, 1952, which came into effect in South Africa on January 1, 1953, made obligatory the presentation of group accounts, and there has been a lack of suitable textbooks.

While this book should achieve one of the hopes of its author and "stop up one of the leaks in that respect," it can go further. For it is a textbook that could be used beneficially by United Kingdom students. It is a happy fact that South African company law has been derived almost exclusively from English sources and has closely followed contemporary English legislation. And, apart from different arrangements of the Sections, the statutory requirements for group accounts are nearly identical in the Union with those in the United Kingdom: indeed, an earlier book from the same publishers—*The South African Companies Acts*, by Arthur Suzman, Q.C.—contains comparative tables for easy reference between the two Acts. For wider appeal, then, perhaps the publishers might insert such a table in any later edition of this volume. But even without a table, the volume is self-explanatory.

Professor Fairbairn's style and approach are original, by our standards. When dealing with consolidation at a date after acquisition of control, he sums up in a manner reminiscent of the lecture room: ". . . the foregoing sounds horribly complicated . . . I shall therefore try to explain the procedure in another way." And from a narrative which should be quite understandable to the advanced student for whom it is intended, he discusses how, in finalising accounts, a trial balance is first taken out—an unnecessary elaboration of the text. But he observes detail: for example, he reminds his reader that if a subsidiary owns shares in the holding company, then the fact must be disclosed by way of note in the balance sheet of the holding company.

Some of the examples will not, I think, be easily assimilated and the workings given could be simplified. It would have been helpful if an example of cross-holdings in consolidation had been given, and if consideration had been afforded to the position where a subsidiary is acquired by stages. The main criticism, however, is of the insistence with which the author stresses that equity capital means something more than that defined in the Act: in equity capital he includes Preference shares, and all examples show equity as the equal of net assets. Had he consolidated Preference capital as distinct from what is *really* equity capital, the examples would have been clearer. For he does not in fact award the interest of Ordinary shareholders to Preferred shareholders. C.A.P.

**Cash McCall.** By Cameron Hawley. Pp. 446. (*Hammond, Hammond and Co. Ltd.:* Price 16s. net.)

IN THE United States, as in this country, men set great store by money; and there, as here, they feel guilty about it. The guilt is easily enough dealt with: money earned by "hard work" becomes relatively innocent, leaving the main burden of sinfulness to be borne by those who get rich quickly and, to all appearance, easily. Cash McCall is such a man: but the conventional view of him, as a rogue who waxes fat by sharp practice, will not stand up to examination. He makes his quick profits from the purchase, reconstruction and sale of small-to-medium businesses, and he regards it as part of the fun of the game to ensure that all parties to the deal come out of it satisfied: the vendor receives his asking price, without haggling, the ultimate purchaser is pleased with his purchase, the business has been reorganised and improved. McCall has a flair; by what token can his wealth be condemned?

Mr. Hawley, whose earlier novel *Executive Suite* made Hollywood history (the film of the book was reviewed in an article by Mr. Stacey in ACCOUNTANCY in August, 1954), poses the question in this second, no less remarkable, novel of American business life. There is no doubt about his answer: McCall is the hero of the story, and if his portrait is painted in colours a little warmer than most of us see in life around us, that is no harm—indeed there is positive good in the reminder, to businessmen and laymen alike, that business can be moral as well as legal. The novel is a long and satisfying one with a crowded stage and human as well as corporation interest to offer—indeed the emotions are on occasion over-dramatised, for Mr. Hawley, a good American, is not afraid of honest sentiment. But it is his special distinction that he makes the world of the small corporation so completely his oyster: the problem of the one-man business grown too large for that one ageing man to handle but yet too small to carry the executive staff it needs is one that accountants know well, as they know too the complicated company manoeuvres that taxation laws make profitable. Mr. Hawley makes his drama out of this kind of material, and the men—and women—who move amongst it; and a good sound drama it is. P.E.S.

# Books Received

**Welfare Services Statistics, 1954–55.** Pp. 23. (*The Institute of Municipal Treasurers and Accountants, 1, Buckingham Place, London, S.W.1, and The Society of County Treasurers. Shire Hall, High Pavement, Nottingham: 3s post free.*)

**The Accounting and Audit Provisions of the Companies Act, 1955.** Pp. 23. (*New Zealand Society of Accountants, 86 Lambton Quay, Wellington, New Zealand:* 1s. 6d. net.)

**West Sussex Government Financial Statistics** 1955–56. Pp. 59. (*County Treasurer, County Hall, Chichester.*)

**The Manual of Modern Business Equipment, Part 8, Loose-Leaf Binders, Hand-Posted related Records, and Machine Accounting Ancillary Equipment,** Pp. 32. **Part 5, Typewriting Machines,** Pp. 24. **Part 6, Reproduction Processes Part 1 (Duplicators),** Pp. 36. **Part 7, Safes, Strongrooms and Fire-Resisting Equipment,** Pp. 32. (*Prepared by the Office Appliance and Business Equipment Trades Association. (Macdonald & Evans Ltd., 8 John Adam Street, W.C.1:* 4s. 6d. each part. When completed (25 parts) the cost will be for set £5 5s. 0d.) See review in ACCOUNTANCY, March, 1955 (page 104).

# Legal Notes

**Company Law—**

**Winding-up Petition Presented by Trustee in Bankruptcy**

A bankrupt owned a number of Preference shares in the B. Company. His trustee in bankruptcy asked to be registered as the holder of these shares, but the company refused to accede to this request. The trustee then presented a petition for the compulsory winding-up of the company.

In **Re H. L. Bolton Engineering Co. Ltd.** [1956] 2 W.L.R. 844, the company successfully took the point that, as the trustee was not the registered holder of the shares, he had no right to present a petition. The case involved detailed consideration of several sections of the Companies Act, 1948, but the grounds for the decision may shortly be summarised as follows. Section 224 appears to be designed to provide an exhaustive list of those who are entitled to present a petition for compulsory winding-up, and the trustee in bankruptcy of a contributory is not included in this list. The only other Section that could give a trustee the right to present a petition is Section 216, which provides that "if a contributory becomes bankrupt, either before or after he has been placed on the list of contributories, his trustee in bankruptcy shall represent him for all the purposes of the winding-up and shall be a contributory accordingly . . ." In the view of the Court the powers given to a trustee by Section 216 take effect only when a winding-up order has been made; they do not give the trustee power to present a petition.

**Contract and Tort—**

**Notice to Debtor of Legal Assignment**

B. obtained a refrigerated counter under the common form of arrangement whereby the dealer sold the article for cash to a hire purchase company and the company then hired the article to B. Owing to a dispute over the quality of the article B. ceased to pay the instalments, and on December 7, 1954, the hire purchase company executed an assignment to the dealer of the instalments then due, amounting to some £33, and also of the right to receive future instalments amounting to some £170. The dealer then sent the following letter to B. "Dear Madam, We hereby give you notice that by an indenture dated December 6, 1954, the debt amounting to £203 owing by you to W. (the hire purchase company) has been assigned to us absolutely and the debt is now due and owing to us . . ." As B. still refused to pay the instalments, the dealers sued B., relying on Section 136 (1) of the Law of Property Act, 1925, which provides that: "Any absolute assignment by writing under the hand of the assignor . . . of any debt or other legal thing in action, of which express notice in writing has been given to the debtor . . . is effectual in law . . . to pass and transfer from the date of such notice (*a*) the legal right to such debt or thing in action (*b*) all legal and other remedies for the same . . ."

In **W. F. Harrison & Co. Ltd. v. Burke** [1956] 1 W.L.R. 419, the Court of Appeal held that, before an assignee could sue for a debt in his own name, he must comply strictly with the requirements of the Act. In this case the notice given to B. had wrongly stated the date of the assignment and, although the date given was only one day wrong, the notice was invalid.

The Court also indicated, without deciding, that the notice was invalid on another ground; at the date of the notice only £33 was actually due, but the notice stated that £203 was due.

**Executorship Law and Trusts—**

**Sale of Charity Land**

By Section 29 of the Charitable Trusts Amendment Act, 1855, "it shall not be lawful for the trustees or persons acting in the administration of any charity to make or grant, otherwise than with the express authority of Parliament . . . or of a Court . . . or according to a scheme legally established or with the approval of the Charity Commissioners, any sale mortgage or charge of the charity estate . . ." In **Milner v. Staffordshire Congregational Union (Incorporated)** [1956] 2 W.L.R. 556, M. entered into a written contract to buy from the defendants a house which was vested in them on charitable trusts and he paid them a deposit of £250. At the time of the agreement the defendants had no authority, scheme or approval covering the transaction, but some two months after the agreement the approval of the Charity Commissioners was obtained. By that time, however, M. had decided that he did not wish to proceed with the purchase and he claimed to recover his deposit on the ground that the contract was not lawful or binding upon him. The case turned on the meaning of "sale" in Section 29 of the 1855 Act and Danckwerts, J., held with some hesitation that a "sale" within the meaning of that Section was made when the contract was entered into: consequently, at the time when the contract was made it was unlawful and M. was entitled to recover his deposit.

**Executorship Law and Trusts—**

**Payment for Repairs of Agricultural Property out of Capital**

In re *The Duke of Northumberland deceased* (1951 Ch. 202), it was held that by Section 96 (1) of the Agricultural Holdings Act, 1948, and paragraph 23 of Part II of the Third Schedule to that Act the tenant for life under a strict settlement was given power to spend capital upon certain repairs of agricultural property, for which he would under the general law have to pay out of income, and that the trustees should normally accept the direction of the tenant for life to pay for repairs out of capital if they were satisfied that the mode of application was within the provisions of the Act.

In **Re Boston's Will Trusts** [1956] 2 W.L.R. 700, the Court had to consider whether the same powers of spending capital were vested in trustees under a trust for sale. Vaisey, J., held that the trustees had a power to spend capital in this way, but they also had a duty to preserve the capital of the fund vested in them: accordingly they should exercise discretion before laying out capital on repairs. The learned Judge did not attempt to lay down in detail the principles that trustees should follow in exercising their discretion, but he said that it would not be wrong for trustees to take into consideration such matters as the comparative wealth or poverty of the persons interested in the income and in the capital of the settled property or the benefits which any party might have conferred on the property.

**Insolvency—**

**Set-off of Mutual Debts**

The facts in **Re a Debtor (No. 66 of 1955)** [1956] 1 W.L.R. 480 were a little complicated. X., the debtor, supplied goods to W. on credit in consideration of W. guaranteeing X's overdraft with the bank up to £200. To secure this overdraft W. deposited with the bank some of his own title deeds. In 1954 W. went

bankrupt. He then owed X. £101 for goods supplied. During the course of the administration W.'s trustee paid off X.'s overdraft, which then amounted to £133, in order to obtain the title deeds. The trustee then recovered judgment against X. for the £133 paid as X.'s surety and served a bankruptcy notice on X. As X. did not pay, the trustee filed a petition against X. and a receiving order was made.

X. now argued that he was entitled to set-off the £101 owed to him by W. against his debt of £133, but the Divisional Court refused to accept this argument, on the ground that at the date of W.'s bankruptcy there was no debt owed by X. to W. The debt of £133 accrued only later when W.'s trustee paid off the overdraft, and was due to the trustee and not to W. Accordingly X. had merely a right to prove for the £101 in W.'s bankruptcy.

**Miscellaneous—**

**Dishonest Appropriation of Money Included by Mistake in Pay Packet**

A curious gap in the criminal law was exposed by the Divisional Court in **Moynes *v.* Coopper** [1956] 2 W.L.R. 562. M., a labourer paid by the week, was at his own request given an advance of pay of £6. The pay clerk, who knew nothing of the advance, put £7, a full week's pay, into a pay packet, which he sealed and later handed to M. At the time when he received the pay packet, M. did not know how much it contained; on reaching home, he discovered the mistake and appropriated the whole £7 to his own use. The Court held by a majority that as M. had no intention of stealing when he originally took the pay packet from the clerk and the clerk meant all the money to go to him, M. was not guilty of larceny or of any other criminal offence.

The employers would, of course, have a civil right to recover the money overpaid as money paid under a mistake of fact.

**Miscellaneous—**

**Submission of Fraudulent Account of Profits to Income Tax Inspector is a Criminal Offence**

To make false statements deliberately in an income tax return is, of course, a statutory offence. Sometimes, however, a trader, instead of making a return of his profits by inserting a figure into his income tax return, sends in accounts and leaves the Inspector to decide how much his return should show. If these accounts are known by the trader to be incorrect, he has not committed any statutory offence, but it has been the practice of the Inland Revenue to charge the trader with making false statements to the prejudice of the Crown and the public revenue with intent to defraud.

In **R. *v.* Hudson** [1956] 2 W.L.R. 914, a trader was so charged and convicted, and he appealed to the Court of Criminal Appeal on the ground that he had been convicted of an offence which was unknown to the law. The Court held that the jury must be taken to have found that the trader had sent to the Inspector of Taxes documents which to the trader's knowledge were false and fraudulent for the purpose of avoiding the payment of tax. These facts amounted to a fraud on the Crown and this was a misdemeanour at common law. The trader was, therefore, rightly convicted.

**Miscellaneous—**

**Gold Clause in Lease**

In **Treseder-Griffin *v.* Co-operative Insurance Society Ltd.** [1956] 2 W.L.R. 866, the Court of Appeal reversed the decision of Lord Goddard, C.J., which was noted in ACCOUNTANCY for February 1956, at page 64.

The judgment of the Court of Appeal is the subject of a Professional Note on page 161 of our May issue.

It is much to be hoped that this case will be taken to the House of Lords—leave to appeal was granted—and a final decision given on the difficult points raised.

# Accountants in the Isle of Man

CHARTERED AND INCORPORATED Accountants and students held an informal meeting and a dinner at the Sefton Hotel, Douglas, Isle of Man, on April 13, in honour of the President of the Institute of Chartered Accountants in England and Wales, Mr. W. S. Carrington, F.C.A., and of the President of the Society of Incorporated Accountants, Mr. Bertram Nelson, C.B.E., F.S.A.A., J.P.

The Chairman was Mr. A. D. Walker, F.C.A., J.P., a member of the Council of the Institute of Chartered Accountants, who proposed the first toast at the dinner, that of Her Majesty The Queen, Lord of Man.

His Honour The Deemster Sir Percy Cowley, C.B.E., Clerk to the Rolls and First Deemster, proposed the toast of the accountancy profession.

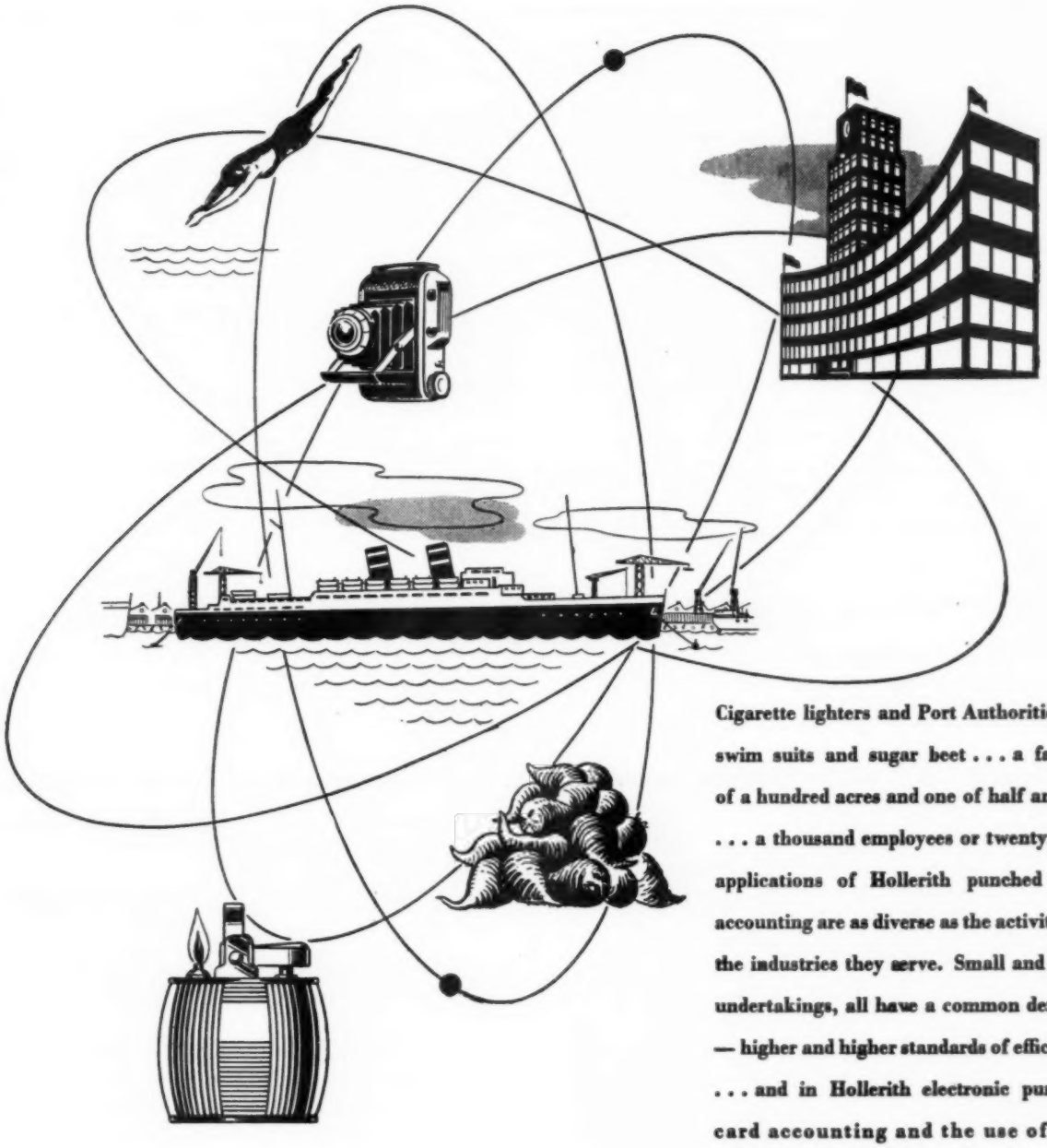
Mr. W. S. Carrington, F.C.A., President of the Institute of Chartered Accountants in England and Wales, in reply said that accountants on the Island could render very valuable services both to agriculture and to the tourist industry. Efficient cost accounting could enable farmers to concentrate upon those crops and breeds of livestock whose suitability had been proved by results. In the tourist industry, Mr. Carrington said, much more use could be made of management accounting in maintaining a strict control of cost whilst still maintaining the service that the customer demanded.

Mr. Bertram Nelson, C.B.E., F.S.A.A., President of the Society of Incorporated Accountants, also replied to the toast. He said that the rapid growth of the accountancy profession had perhaps been due not mainly to the complexities of taxation, but to three factors that were today of lessening significance. These were, firstly, that, at a time when other professions were difficult to enter without heavy expense, the accountancy profession welcomed candidates of ability; secondly, that professional training had proved to be an admirable method of qualifying for many types of responsibility, at a time when industry was not undertaking its own training; and, thirdly, the merits of accounting techniques in interpreting a mass of data—merits particularly evident at a time when large-scale business enterprise was increasing.

The accountancy profession, said Mr. Nelson, could no longer rely on these traditional advantages alone and must develop its own new educational methods and techniques.

Mr. A. D. Walker, F.C.A., J.P., in replying to the toast of the chairman, urged Insular accountants to make a study of management accounting.

Mr. J. B. Bolton, F.S.A.A., proposed the toast of the guests, which was acknowledged by Mr. A. J. Davidson, F.R.I.B.A., F.R.I.C.S.



**Cigarette lighters and Port Authorities . . . swim suits and sugar beet . . . a factory of a hundred acres and one of half an acre . . . a thousand employees or twenty. The applications of Hollerith punched card accounting are as diverse as the activities of the industries they serve. Small and large undertakings, all have a common demand — higher and higher standards of efficiency . . . and in Hollerith electronic punched card accounting and the use of Hec Computers, they have a large part of the answer.**

HOLLERITH

***Talk your problem over with***

**THE BRITISH TABULATING MACHINE CO. LTD**

***Offices in principal cities throughout Great Britain and Overseas***

*HEAD OFFICE:* 17 PARK LANE, LONDON, W.1 *TELEPHONE:* HYDE PARK 8155

BTM6

# SETON TRUST
LIMITED

## CAPITAL ISSUES

*The services of the Trust are at the disposal of professional advisers in connection with the public financing of established undertakings.*

**3 Throgmorton Avenue, London, E.C.2**

TELEPHONE: *London Wall 6871-4* TELEGRAMS: *Setru Stock London*

## *This charming modern residence*

. . . may or may not be your idea of the ideal home. But whatever house you choose, you will surely be faced with the problem of raising the necessary capital. Why not call in Frizzells, the experts in house purchase?

Frizzells have been helping people to buy their homes on mortgages for over 25 years and with this experience they are most likely to find you the highest possible loan at the very best terms—and in the shortest time, too.

Their advice is entirely FREE and without obligation. Write now or telephone for a confidential interview.

**NORMAN FRIZZELL**
**(LIFE & PENSIONS) LTD**

*Frizzells unique deferred terms are available to the young accountant who can wait for a house and who prefers a 100% loan. These terms guarantee the interest rate.*

Telephone: Mincing Lane 1000 (20 lines)

24 GREAT TOWER ST., LONDON E.C.3
(near Tower Hill Underground Station)

THE
# STUDENT'S GUIDE TO COMPANY LAW
*by*
FRANK H. JONES, F.A.C.C.A., A.C.I.S.

- DESIGNED SPECIFICALLY FOR STUDENTS
- COVERS ALL EXAMINATION REQUIREMENTS
- SPECIAL POINTS EMPHASISED AT END OF EACH CHAPTER
- DISTINCTIVE TYPES GIVE VARYING SHADES OF EMPHASIS TO TEXT
- INCLUDES OVER 200 QUESTIONS SET BY LEADING EXAMINING BODIES

"Any publication that succeeds in making the lot of the examination student in company law easier is assured of a good reception. This new book sets out with that worthy objective and no higher praise could be given than to say that the objective is achieved."—ACCOUNTANCY.

"This book is neither more nor less than it claims to be, and, within the limits which its title suggests, it could hardly be bettered. It will be found of great use either as a basic textbook or as a tool for final revision."—THE SECRETARY.

PRICE 19/6 (BY POST 20/10)

**JORDAN & SONS, LTD.**
116 CHANCERY LANE, LONDON, W.C.2

# The Student's Columns

## I—INCOME TAX RETURNS

RETURNS OF INCOME are required for various purposes; they vary in form. In this article we confine ourselves to returns of income. If no income has been received, the word "None" must always be inserted in the space for the entry of the amount.

A company is required to make a return which should show:

(*a*) The nature of the trade and the profits of the preceding year.

(*b*) Deductions claimed for capital allowances.

(*c*) Balancing charges.

(*d*) Interest received gross in the previous year, distinguishing:

(i) Income arising in the United Kingdom, e.g. from 3½ per cent. War Stock, bank deposits, discounts on Treasury Bills, etc.

(ii) Income from Dominion and foreign securities and possessions, distinguishing between income from trade and other income (because the trade income is assessable on a remittances basis).

(*e*) Any other income not taxed by deduction.

The return has to be signed by the secretary or other responsible officer of the company.

The return for a partnership has to show, in addition to the above information, the following:

(1) Full firm name.

(2) Particulars of charges, showing the nature of each, to whom payable (name and address) and gross amount.

(3) Particulars of income of the firm taxed at source and of the net annual value of business premises owned.

(4) Names and addresses of the individual partners, stating whether each is active or sleeping and showing how the assessment is divided as to salary, interest and balance, and how they share other income.

The return has to be signed by the precedent acting partner.

There are several forms used for individuals, ranging from the simple one applicable to those whose main source of income is wages and who have to disclose other income and claim reliefs, to forms applicable to surtax payers. There are also forms issued only to those most of whose income is taxed at source, on which they can make a full return and reclaim tax on their allowances; these forms also vary to meet the circumstances.

**Individuals**

If the principles of completing the most complex return are appreciated, they can readily be applied to the simpler forms.

The current returns are those for the income tax year 1956/57, which disclose the income of the year 1955/56 and the claim for allowances for the year 1956/57.

If the chief source of earned income is from a business, the form starts with that; but if the chief source is an office, employment or pension, it starts with that. Whichever appears first is followed by the other.

In connection with offices, employments, etc., the office held, the employer and his address must be stated, with the income arising, followed by details of the deductions claimed for expenses, superannuation contributions and capital allowances.

The nature of the business (if any), the name under which it is carried on and the amount of the adjusted profits are stated, followed by the deductions claimed for capital allowances.

A partner need not enter any figures here; he can state "See firm's return."

Then follow:

(*a*) Untaxed interest.

(*b*) Dominion and foreign securities and possessions not subjected at source to United Kingdom income tax.

(*c*) Income not taxed at source caught under the provisions to prevent avoidance by the transfer of assets abroad.

(*d*) Income not taxed at source, under settlements where the law requires the income to be treated as that of the settlor.

(*e*) Other profits, e.g. family allowances, excess rents, furnished lettings, underwriting commissions, etc.

(*f*) Wife's income not taxed at source and not entered above.

(*g*) Particulars of alterations in sources of income not taxed before receipt, since the beginning of the previous tax year.

All the above are in Section B. The next Section (C) requires the following:

(i) Partnership income (here it is well to insert the amount of the share of the assessment relating to the previous year, plus the share of other partnership income for that year, as it is those figures that are required, with those that follow, for the surtax assessment).

(ii) Property assessable under Schedule A: the net annual value (or rent received, if less), including property occupied rent free or at less than the net annual value (the beneficial occupation is then

taxable).

(iii) Land occupied and assessable under Schedule B.

(iv) Dividends, etc., taxed at source (gross amounts).

(v) Interest from building societies (the actual amount received—the Special Commissioners will gross it up for surtax purposes).

(vi) Income taxed at source, received from companies, etc., abroad and from settlements, similar to (*c*) and (*d*) above.

(vii) Wife's income taxed at source unless included above.

Section D deals with ground rent, interest and other annual payments paid in the preceding year. If none, that must be stated.

Section E requires a note of the weekly National Insurance contribution payable by the taxpayer for himself and for each private employee.

Then there follow the various sections for claiming allowances, which require the names of the taxpayer's wife, children (with date of birth and amount of private income) and so on, ending with the particulars of the life assured, name of assurance office, date of policy if after the beginning of the previous year, amount assured and the premium.

The returns are to be made at the beginning of the year of assessment and serve the purpose of giving the Inspector of Taxes the amounts of untaxed income on which to base his assessments, since most of these are on the basis of the income of the previous year.

For surtax purposes, however, it will be necessary to refer also to Section C in the next year's return, but that is in time for the assessment to be made, as surtax is collected on January 1 following the end of the year of assessment.

*Illustration*

A taxpayer's returns showed the following income:

| | *1955/56 Return of 1954/55 Income* | | *1956/57 Return of 1955/56 Income* | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| *Section B* | | | | |
| Business income.. .. | | 2,400 | | 3,100 |
| Capital allowances .. | 420 | | 410 | |
| Balancing charges .. | | 50 | | — |
| Director's remuneration | | 1,800 | | 2,000 |
| Post Office Savings Bank (P.O.S.B.) interest .. | | 20 | | 15 |
| Indian dividend .. | | 90 | | 100 |
| Family allowances .. | | 40 | | 20 |
| Furnished letting .. | | 240 | | 300 |
| Wife's salary .. .. | | 500 | | 600 |
| *Section C* | | | | |
| Partnership income .. | (1954/55 assessment) | 5,600 | (1955/56 assessment) | 3,400 |
| Net annual values .. | | 410 | | 420 |
| Taxed dividends .. | | 2,500 | | 2,900 |
| Building Society interest (B.S.I.) .. .. .. | | 50 | | 80 |
| *Section D* | | | | |
| Covenant to pay £500 a year (net after deduction of tax on the gross equivalent) .. .. | | 909 | | 869 |

The total income for surtax, 1955/56, is found thus:

| *Taxed under* | | | £ | *Remarks* |
|---|---|---|---|---|
| Sch. D, Case I | Business assessment .. | | 2,400 | Preceding Year (P.Y.) |
| | *Less* Capital allowances .. .. | | 420 | Actual year's allowances (A) |
| | | | 1,980 | |
| | Balancing charge .. | | 50 | A. |
| Sch. E | Director's remuneration | | 2,000 | A. |
| Sch. D, Case III | P.O.S.B. interest .. | | 20 | P.Y. |
| Sch. D, Case V | Indian dividend .. | | 90 | P.Y. |
| Sch. D, Case VI | Family allowances .. | | 20 | A. |
| Sch. D, Case VI | Furnished letting .. | | 300 | A. |
| Sch. E | Wife's salary .. | | 600 | A. |
| At source | Partnership .. .. | | 3,400 | Assessment for the year |
| Sch. A | Property .. .. | | 420 | Do. |
| At source | Taxed dividends .. | | 2,900 | A. |
| — | B.S.I. .. | 80 | | |
| | Add: Tax $\frac{8\frac{1}{2}}{11\frac{1}{2}} \times 80$ | 59 | | |
| | | — | 139 | A. |
| | | | 11,919 | |
| | Annual payment .. | | 869 | A. |
| | Total income for surtax | | £11,050 | |

The total income for income tax would be £59 less, since B.S.I. is brought in net.

Students should follow through these items from the returns.

# II—LOSSES ON DISSOLUTION OF PARTNERSHIP

THE PARTNERSHIP ACT of 1890 specifies the circumstances in which a partnership may be ended by agreement. Section 44 (*a*) gives the rules for distributing the profits or losses on dissolution. "Losses, including losses and deficiencies of capital, shall be paid first out of profits, next out of capital and lastly, if necessary, by the partners individually in the proportion in which they were entitled to share profits." Normally, therefore, a loss shown on the realisation account would be transferred to the capital accounts of the partners in the ratio in which they share profits and losses. If a partner's share in the loss exceeded the amount standing to the credit of his capital account, the resources in the business would be insufficient to pay the other partners the sums due to them as shown by the credit balances on their respective capital accounts. To enable this indebtedness to be met, the partner with the debit balance on his account should pay into the firm cash to cover his debt.

However, if the partner is unable to pay in the cash, how is the remaining loss to be borne? Once it was generally supposed that it should be borne by the solvent

partners in the ratio in which they shared profits and losses, but the decision in the case *Garner* v. *Murray* [1904] 1 Ch. 57, was to a different effect.

A partnership was entered into between Garner, Murray and Wilkins in 1900 upon the terms that the capital was being contributed in unequal shares and that each partner was entitled to one-third of the net profits. At the date of dissolution there was due to Garner capital of £2,500 and to Murray capital of £314. Nothing could be recovered from Wilkins; there was a net deficiency on the account of the firm. The question was how the balance of cash should be distributed.

The contentions of Counsel make interesting reading. For Garner it was argued that in such circumstances if there is a deficiency of assets on dissolution the partner who has contributed more is entitled to be paid first the difference between his capital and that of his partner. "The rule in such a case is to begin by equalising the loss of capital as between the partners." Lindley on Partnership, referring to a case of unequal capital but equal profit sharing, was quoted to the effect that "the assets remaining must be distributed so as to make each partner's loss of capital equal." And Section 44 (*a*) of the Act of 1890 was cited: "Losses . . . shall be paid . . . by the partners individually in the proportion in which they were entitled to share profits." In this case that proportion was equal. And by Section 24 (i), all the partners "must contribute equally towards the losses whether of capital or otherwise sustained by the firm."

Counsel for Murray argued that sub-sub-Section 44 (*b*) (3) of the Act of 1890 stated that assets were to be applied "in paying to each partner rateably what is due from the firm to him in respect of capital." Therefore each partner should contribute an equal share of the deficiency and then the balance available should be divided rateably between them. One-third of the deficiency amounted to £299, and this sum should be contributed by each partner. As Wilkins was unable to contribute, the balance of assets should be divided in the proportion that Garner's capital bore to Murray's capital.

*Garner, Murray and Wilkins—Statement of Affairs (June 30, 1900)*

| *Capital Accounts* | £ | | £ |
|---|---|---|---|
| Garner .. | 2,500 | Loss on Realisation | 635 |
| Murray .. | 314 | Cash .. .. | 1,916 |
| | | Wilkins .. .. | 263 |
| | £2,814 | | £2,814 |

Prior to the decision, it was thought that Wilkins's deficiency of £263 would have been added to the firm's deficiency of £635, and the aggregate loss of £898 divided equally between the solvent partners. The effect of the decision was to make the deficiency of £635 divisible equally amongst the three partners, but Wilkins's deficiency would be borne by the two solvent partners in proportion to the credit balances of their capital accounts.

Joyce, J., held that Section 44 was plain. And "It is suggested on behalf of the plaintiff that each partner is to bear an equal loss. But when the Act says losses are to be borne equally, it means losses sustained by the firm. It cannot mean that the individual loss sustained by each partner is to be of equal amount. . . . The assets must be applied in paying to each partner rateably what is due from the firm to him in respect of capital, account being taken of the equal contributions to be made by him towards the deficiency of capital."

Thus the conclusion reached was that the deficiency arising out of the insolvent partner's inability to pay in to cover his debit balance was to be borne by the solvent partners in the ratio of their capitals—the last agreed capitals prior to the realisation of assets and excluding balances on current account. The solvent partners have each an interest in the assets available for distribution, in the ratio of their respective capitals. This ratio remains the same as the ratio used in bearing the debit balance of the insolvent partner since there is deducted from the last agreed capitals (as above defined) the loss occasioned by the insolvent partner, allocated *pro rata* to the last agreed capitals.

In a recent examination question, three partners A, B, and C were stated to share profits and losses in the ratio 2 : 2 : 1. They agreed to sell their business to a limited company in consideration of a payment in cash and Ordinary shares in the new company. The firm was heavily overdrawn, and A and B introduced cash to meet the liabilities (which were not being taken over) in proportion to their capital assets. There was a loss on the sale and C was unable to contribute anything, his capital account being in debit as a result of the loss. The successive stages in the dissolution may be thus summarised.

(1) *Capital according to the last balance sheet*
A (say), £40,000; B, £10,000; C, £1,000.

(2) *Capital after crediting cash paid in by A and B to meet firm's liabilities and charging losses on realisation.*

| | A | | B | | C | |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| Balances | 40,000 | | 10,000 | | 1,000 | |
| Cash paid in | 12,000 | 52,000 | 3,000 | 13,000 | – | 1,000 |
| Loss on Realisation | 2,500 | | 2,500 | | 1,250 | |
| Balances c/d | 49,500 | | 10,500 | | *250* | |

(3) *Treatment of C's deficiency following the decision in Garner* v. *Murray.*

£250 charged to A and B in the capital ratio, namely, 4 : 1. Thus £200 charged to A and £50 to B.

(4) *Allocation of purchase price of business.*

As A and B brought in cash on a capital basis, it seems equitable that the cash forming part of the purchase consideration should be distributed to them on the same basis, the balance due to them being settled by sufficient shares to discharge the final balance on the respective capital accounts.

Another examination question dealing with dissolution

of a partnership stated that the proceeds of realisation of the assets were to be distributed as and when received "strictly in accordance with the partners' rights." Further, "the balances on capital accounts are those fixed by the partnership agreement; the balances on current accounts represent undrawn profits." The loss on realisation had to be debited to the current accounts, the balance of which owing to the proviso concerning the capital accounts was not transferred to capital as it normally would be. As cash was realised from the sale of assets it would be distributed to the partners in the ratio of their capital accounts—here 3 : 2 : 1—and after clearing these accounts, the cash received would be debited to the current accounts, again in the ratio 3:2:1, the final payment being allocated so as to clear the remaining balances on the current accounts.

# Notices

**The Accountants' Christian Fellowship** will hold a meeting for Bible reading and prayer on Monday, June 4, at 6.0 p.m. in the vestry at St. Mary Woolnoth Church, King William Street, London, E.C.3.

The **Baird rotary stencil/ink duplicator** is now appearing for the first time in the United Kingdom. At the price of £18 15s., it will produce up to 100 copies a minute. It has a fully automatic feed and semi-automatic inking, and by the use of a spare drum two-colour work is available. The duplicator is supplied by Hartley Electromotives Ltd., 37 Thurloe Street, London, S.W.7.

The National Cash Register Co. Ltd. announces production of the **National "Postronic"** book-keeping machine. Although it has built-in electronic circuitry, the machine is mainly mechanical. It is self-contained and can be placed and operated in a recess five feet wide and two and a half feet deep, with only one lead plugged in to an ordinary electric circuit. It is intended for "ordinary" commercial offices and bank branches, and gives them the advantages of electronic pick-up of old balances, verification that entries are made to the correct account, running totals and erasion of old data.

The mechanisation of production control by the **Hec Electronic Computer** was demonstrated by the British Tabulating Machine Co. Ltd., at the Production Exhibition held at Olympia, London. The computer, an all-British machine, occupies a comparatively small area of floor space. It can distinguish the characters of individual sums and products and select the factors to be applied. It checks its own arithmetic and prints the results or punches them on cards. Procedures involving thousands of calculations are carried through automatically. Simplified flow charts were used at the stand for purposes of illustration, and the method of compiling a computer programme was demonstrated.

Direct communication between two persons is afforded by a new electronic product, the **Kedafon** battery-equipped loud-speaking intercom. It is supplied by Fonadek (Branson) Ltd., of London, Birmingham, Manchester and Glasgow, at the price of £15 10s. 6d. No installation is required. The equipment is portable and the distance between the two units can be increased at will by extending the flex.

An **Electronic Data Processing Centre** is to be opened before the end of 1956 by IBM United Kingdom Ltd., 100 Wigmore Street, London, W.1. The services of the centre will be available to Government establishments, universities, industrial concerns of all sizes, and individual scientists. It will have a staff trained to undertake all types of scientific, engineering, accounting and statistical work. The machines used will be electronic computers and electric accounting machines, the principal unit being an IBM 650 magnetic drum data processing machine. This machine can check automatically the accuracy of its answers, and its magnetic drum "memory" will make available any of its 20,000 digits in less than three-thousandths of a second. It can perform 60 multiplications of 10 digit numbers a second, 200 additions or subtractions a second, or 50 divisions a second.

The Board of Trade has appointed Mr. J. M. Clarke as **Inspector General of Companies, Company Liquidation and Bankruptcy,** in succession to Mr. C. R. Bruce Park, C.B.E., who has retired. Mr. F. M. Collins has succeeded Mr. Clarke as Senior Official Receiver in the Companies (Winding-up) Department.

An **Electronic Trainer**, a product of the Solarton Electronic Group Ltd., was exhibited at the recent exhibition of the Physical Society. It can train a person to achieve complete manual dexterity for a series of operations, asking first easy questions and then progressively more difficult ones. Questions take the form of a pattern of lights, and other batches of lights show the success of the operator and the correct answer. The trainer also examines and trains "Eucrates I," an electronic brain which is liable to forgetfulness and neurotic phases in the same way as a human pupil. The mechanism can train typists, comptometer operators, card punchers and other workers who need manual dexterity.

## The Association of Certified and Corporate Accountants

The President of the Association of Certified and Corporate Accountants, Mr. W. Macfarlane Gray, gave a dinner on April 23 at the May Fair Hotel, London, W.1. The guests included the Rt. Hon. Sir Reginald Manningham Buller, Q.C., M.P. (Attorney General); Alderman Sir Frederick M. Wells, Bart; The Lord Dovercourt; Sir Henry Hancock, K.C.B., K.B.E., C.M.G. (Chairman of the Board of Inland Revenue); Mr. W. S. Carrington, F.C.A. (President of the Institute of Chartered Accountants in England and Wales); Mr. Bertram Nelson, C.B.E., F.S.A.A., J.P. (President of the Society of Incorporated Accountants); Sir Ian Bolton, H.M.L., O.B.E., C.A., J.P. (past President of the Institute of Chartered Accountants in Scotland); Mr. F. Cleland, F.C.A. (President of the Institute of Chartered Accountants in Ireland); Sir Harold Howitt, C.B.E., D.S.O., M.C.; Mr. George Nicholson (President of the Institute of Cost and Works Accountants); Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (Vice-President of the Society of Incorporated Accountants); Mr. I. A. F. Craig, O.B.E. (Secretary of the Society of Incorporated Accountants); Mr. A. S. MacIver, M.C., B.A. (Secretary of the Institute of Chartered Accountants in England and Wales); Sir Henry Hancock, K.C.B., K.B.E., C.M.G. (Chairman of the Board of Inland Revenue); Mr. W. Charles Norton, M.B.E., M.C. (President of the Law Society); The Rt. Hon. Sir Hartley Shawcross, P.C., Q.C., M.P. (Chairman of the Bar Council).

There were no formal speeches. The President welcomed the guests and Sir John Braithwaite replied on their behalf. Entertainment was provided by Poli, the comedy cartoonist.

# THE SOCIETY OF
# Incorporated Accountants

## Seventy-first Annual General Meeting

THE SEVENTY-FIRST ANNUAL general meeting of the Society was held at Incorporated Accountants' Hall, on May 16.

Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (Vice-President) was in the chair. He told members that the President, Mr. Bertram Nelson, C.B.E., F.S.A.A., was unwell and had been advised by his doctor to rest for two or three weeks. Sir Richard was sure all present would wish to be associated with the message that he and his colleagues on the Council proposed to send to Mr. Nelson, wishing him a very speedy return to health. (*Hear, hear.*)

Sir Richard then read the President's address, which is reproduced on pages 210–212 of this issue, and moved the adoption of the report and accounts. The motion was seconded by Mr. E. Cassleton Elliott, C.B.E., F.S.A.A.

**Mr. F. A. Roberts,** A.S.A.A. (London) said that as many of the Secretaries and members of the committees of District Societies all over the country were present, he thought it appropriate to raise the question of the panel of lecturers. He was appointed to the panel in 1936 when it was first formed, and he felt it a privilege to work under the scheme, with the further privilege of meeting members of most District Societies over that long period. The Secretary of the Society had now told him that the panel of lecturers scheme in its original form was dead. But in the accounts there appeared a charge for approximately £10,000. Whether that was the funeral year of the panel he did not know, but it was a costly funeral!

Until some five or six years ago the lecturers on the panel were asked every year whether they wished to continue. Their names and the subject-titles offered were circulated to all the District Secretaries, and he thought this must have been valuable to the committees when deciding their programmes. That procedure had been discontinued. Mr. Craig had, however, told him that if he cared to send in his list of subject-titles it would be multigraphed and circulated.

He had no axe to grind personally, because he was still quite active in lecturing for various District Societies, and he was very proud to be so. But in going round the country, he had noticed a serious fall in attendances at lectures.

In the accounts, there was charged, quite rightly, a proportion in respect of the biennial publication of the List of Members. But in the balance sheet that item was shown under the label "provision." That was just impossible. There was a statutory definition of "provision" under the Companies Act, and in order for it to be a provision there must first be a liability. There could not be a liability in respect of a book which had not yet been put into the printer's hands, and even if it were a liability, in order to be called a provision, as the Companies Act tells us, it must be a liability which could not be estimated with substantial accuracy. They as a professional body should set an example in accounting matters.

**The Vice-President** said that all members of the District Societies, particularly the Presidents and Secretaries, would certainly be much interested in what Mr. Roberts had said about the panel of lecturers. A meeting had been held that morning at which, he understood, a list of lecturers was agreed upon, and Mr. Roberts would not be surprised to know that his name was included. They all recognised his great contribution in that field.

In the matter of the disbursement of £10,000, they would remember that these sums were disbursed to the District Societies, and the District Societies were responsible for the actual spending of them.

He did not propose to enter into any debate on "when was a provision not a provision." They all knew the facts, and if anyone could think of a better word to describe the item, many of them would be happy to know of it.

As there were no other speakers on the motion for adoption of the report and accounts, the Vice-President put it to the meeting, and it was carried.

### Gold and Silver Medals

**The Vice-President** then presented the Gold and Silver Medals in respect of the Final Examinations held in 1955. He said the distinction they had won as a result of assiduity in their studies should serve as a reminder of the further achievement in terms of ability and service expected of them in their careers, in which he wished them every success.

The Gold Medal was awarded to Mr. Norman Girling of Lagos, a bye-law candidate, trained since April, 1949, in the office of Messrs. Cassleton Elliott & Co. He was awarded Third Place certificate and Third Prize in the Intermediate Examination in November, 1952. He passed the Final Examination Part I in May, 1954, and Part II in November, 1955, at first attempts and was awarded the Gold Medal, the First Certificate of Merit, First Prize and the Henry Morgan Memorial Prize.

The Vice-President went on to say that the recipient of the Silver Medal, Mr. Norman John Edwards, was his own articled clerk. He was a son of a very distinguished father whom they were proud to have as a colleague on the Council of the Society. Mr. Edwards passed the Final Examination Part I in May, 1955, and Part II in November, 1955, at first attempts and was awarded the Silver Medal, the Second Certificate of Merit and the Second Prize.

The presentations were made amid applause.

### Election of Members of the Council

**The Vice-President** stated that under Article 49, ten members of the Council retired at that meeting, but only nine of them offered themselves for re-election. The Council had (under the provisions of Article 55) nominated seven members, whose names would be submitted for election, in accordance with Article 46, to fill the seven remaining vacancies. Five of the vacancies arose from the amendment of Article 40 (*a*) at the extraordinary general meeting in May last year, which provided that the Council should consist of not more than 36 elected members. The sixth vacancy occurred as a result of the resignation of Mr. H. J. Bicker in July, 1955, and the seventh from the retirement of Mr. W. H. Marsden at that annual meeting. He could not and would not let the occasion pass without paying a warm tribute to the work of Mr. Bicker and Mr. Marsden, who served on the Council for four and five years, respectively.

**Mr. R. Wilson Bartlett,** F.S.A.A., D.L., J.P. (Newport, Mon.) proposed that the re-election of the nine members of the Council who retired under Article 49, and offered themselves for re-election be dealt with in one composite resolution.

**Mr. Percy Toothill,** F.S.A.A. (Sheffield), seconded the motion. This was carried, and the nine members were re-elected to the Council.

On the motion of **Mr. C. Percy Barrowcliff,** F.S.A.A. (Middlesbrough) seconded by **Mr. Richard A. Witty,** F.S.A.A. (London), the election of the seven members nominated to fill the remaining seven vacancies on the Council was similarly dealt with in one composite resolution.

Mr. Barrowcliff, in proposing their election, said that Mr. Mervyn Bell was known to those who were at the very successful Dublin Conference in 1951 as the President of the Irish Branch at that time. He had done a lot of active work in connection with the Irish Branch. Mr. William Robert

Booth, as a director of Tate & Lyle, Ltd., was a nominee on the industrial side of the Council. Mr. Percival Dorton Pascho had been the Honorary Secretary of the Devon and Cornwall District Society since its inception 21 years ago, and was the present Deputy Lord Mayor of Plymouth. Mr. John William Richardson was known as the Honorary Secretary of the Sheffield District Society for very many years, and he had also been President of that District Society. Mr. Cecil Harry Sutton was President of the East Anglia District Society, and they were glad to be able to submit a nomination for that area. Mr. Robert Clifford Lloyd Thomas was formerly an Examiner of the Society, and he would have been recommended for election to the Council many years ago had he not been a partner of Mr. R. Wilson Bartlett, who was already on the Council. Mr. Ernest John Waldron was a former President of the South of England District Society and a partner of the late Mr. Fred Woolley, a former President of the Society.

**Mr. Richard A. Witty** seconded the election of the seven members to the Council, and this was carried.

**Mr. E. Cassleton Elliott,** F.S.A.A. (London) moved "(1) that the fee of Mr. Stanley I. Wallis, Incorporated Accountant, Nottingham, who is willing to continue in office as Auditor for a further year, be fixed at one hundred and fifty guineas for such year, travelling expenses to be paid in addition; (2) that the fee of Mr. James A. Allen, Incorporated Accountant, London, who is willing to continue in office as Auditor for a further year, be fixed at one hundred and fifty guineas for such year." He assured them that the work of the Society had increased so much that the increased fees would be well earned. He coupled with both resolutions a warm vote of thanks to Mr. Wallis and Mr. Allen for their services to the Society.

**Mr. A. Boyd,** F.S.A.A. (Newcastle upon Tyne) seconded the resolutions and they were carried.

**Vote of Thanks to the Vice-President**

**Mr. D. R. Carston,** F.S.A.A. (Cardiff) proposed a hearty vote of thanks to the Vice-President, Sir Richard Yeabsley, for so ably presiding at that annual general meeting. They were indeed sorry that illness had precluded the President, Mr. Bertram Nelson, from taking the chair. He had worked very hard indeed for the Society during the past years, and they all wished him a speedy recovery to health and strength.

The Vice-President had given a foretaste of his charm, experience and ability, which there was no doubt that he would display as President. They wished him every happiness and good health in the coming years in office, knowing that he would carry out his duties with credit to himself and that he would add distinction to their Society.

The vote of thanks was carried unanimously by acclamation.

The Vice-President briefly replied.

## New Members of the Council

WE HAVE PLEASURE in congratulating those who, as recorded in the preceding columns, were elected at the annual general meeting as members of the Council of the Society. We present some photographs and biographical notes.

*MR. J. W. RICHARDSON,* F.S.A.A.

*Mr. J. W. Richardson is the senior partner in the firm of Wells, Richardson and Co., Incorporated Accountants, Sheffield. He was admitted to membership of the Society in 1922, while on the staff of the City Treasurer of Sheffield, and became a partner in his present firm in 1930. He was elected a member of the Committee of the Sheffield District Society in 1922, and has been Honorary Secretary since 1927, with the exception of the two years from 1949 to 1951, when he served as President. Mr. Richardson was elected a member of the Court of Governors of Sheffield University in 1940, and for a number of years has served on the Board of Economic Studies at the university. He is a member of the Y.M.C.A. Council.*

*MR. MERVYN BELL,* F.S.A.A.

*Mr. Mervyn Bell has been associated with Messrs. J. A. Kinnear & Co., Dublin, for over thirty years. He was admitted to partnership in 1934, after qualifying as an Incorporated Accountant in the previous year. He is a member of the Council of the Irish Branch, on which he has served since 1938, and was elected President of the Branch for 1951, the year during which the Branch celebrated its Jubilee and a Conference of the Society was held in Dublin. Mr. Bell was appointed by the Attorney-General of the Republic of Ireland as a member of the Company Law Reform Commission set up in 1954.*

*MR. W. R. BOOTH,* A.C.A., A.S.A.A.

*Mr. W. R. Booth, a director of Tate & Lyle Ltd., became a member of the*

*Society of Incorporated Accountants in 1931, after ten years in a professional office in Liverpool. In 1940 he obtained membership of the Institute of Chartered Accountants in England and Wales, having taken honours in the Intermediate Examinations of both bodies and in the Institute Final. He joined Tate & Lyle Ltd. in 1941, and held the office of secretary for some six years before his appointment to the Board in 1951. Mr. Booth is a governor of the City of London College. He is keenly interested in the work of the Baptist denomination, as is shown by his Honorary Treasurership and membership of the Council of Spurgeon's College, his membership of Fact and Faith Films and his chairmanship of the Accountants' Christian Fellowship.*

*MR. C. H. SUTTON,* F.S.A.A.

*Mr. Cecil Harry Sutton is President of the Incorporated Accountants' District Society of East Anglia. He is a principal in the Norwich firm of Harper-Smith, Moore and Co., and has a wide variety of interests both inside and outside the accountancy profession. He has been on the City Council of Norwich since 1947, and was Deputy Lord Mayor of Norwich in 1953–54. We now have pleasure in congratulating him on his election on May 22 as Sheriff of the city. He is Vice-Chairman of the Housing Committee and serves on the Finance and Sewerage Committees. He is also clerk to the Governors of King Edward VI School, Norwich, and Honorary Secretary of the Norfolk and Norwich Triennial Musical Festival, and for the last twenty-five years has been Honorary Secretary and Assistant Honorary Secretary of the Norwich and District Building Trades Employers' Association.*

*MR. P. D. PASCHO,* F.S.A.A.

*Mr. P. D. Pascho is senior partner in Messrs. Roberts & Pascho, Incorporated Accountants, Plymouth. He was educated at Hoe Grammar School, Plymouth, and served his articles with the late Mr. S. H. Roberts,* F.S.A.A., *qualifying as a member of the Society in 1928. He was advanced to Fellowship in 1934, and in the same year accepted the office of Honorary Secretary of the newly-formed Incorporated Accountants' District Society of Devon and Cornwall. Mr. Pascho still serves the District Society in that capacity. He has been a member of the Plymouth City Council since 1949, and was elected Deputy Lord Mayor for the year 1955/56. During World War II and until the cessation of price control, he served as a member of the Board of Trade Price Regulation Committee for the South-Western Region. He was Treasurer of the Devon County Football Association from 1932 to 1954.*

*COLONEL R. C. L. THOMAS,*
M.C., T.D., F.S.A.A., D.L., J.P.

*Colonel R. C. L. Thomas was educated at Taunton School, and became a member of the Society in 1914, having taken honours in the Final Examination. After service in World War I, in which he was awarded the Military Cross, he was admitted a partner in 1919 in Messrs. Walter Hunter & Co., Incorporated Accountants, Newport, with whom he had served his articles, and he is still a member of the firm. He was President of the Incorporated Accountants' South Wales and Monmouthshire District Society in 1933/34. Colonel Thomas is a Deputy Lieutenant for the County of Monmouth, a Justice of the Peace for Newport, Mon., and Chairman of the Monmouthshire Territorial Army and Auxiliary Forces' Association. He was High Sheriff of the County of Monmouth in 1950.*

## Luncheon by Mr. Bertram Nelson

MR. BERTRAM NELSON, President of the Society of Incorporated Accountants, gave a luncheon on April 25 at the Savoy Hotel, London, to past and present members of the Council and officers of the Society.

## The Lawyer and the Accountant

THE INCORPORATED ACCOUNTANTS' South of England District Society held a dinner at the Royal Beach Hotel, Southsea, on April 6. Mr. B. A. Apps, A.S.A.A., President of the District Society, was in the chair, and the company included the Lord Mayor of Portsmouth (Councillor G. A. Day, J.P.); The Hon. Mr. Justice Donovan; Mr. Bertram Nelson, C.B.E., F.S.A.A., J.P. (President of the Society of Incorporated Accountants) and Mr. I. A. F. Craig, O.B.E. (Secretary); Mr. A. C. West, O.B.E. (Chief Constable of Portsmouth); Mr. F. C. Rea (Clerk to the General Commissioners of Income Tax); and representatives of other professional bodies.

The Hon. Mr. Justice Donovan proposed the toast of the Society of Incorporated Accountants. He said that the advantages conferred upon the community by the Society were as solid as they were obvious. At one time anybody wanting to start a business acquired his premises, bought stock, advertised his wares and went merrily on to make his fortune. Now he must first tread a path through a jungle where the snares included building restrictions, town and country planning, restrictive covenants, limited companies, credit squeezes, and many others. If the client emerged safely and could look back on a bumper profit, then came the modern highwayman whose main armament was the Income Tax Act, 1952, with secondary guns called tax cases. Some of the guns could be spiked and turned against him, but one must know how. (Laughter.) Fortunately the business man could call on the services of wise, patient and skilled accountants to show him with certainty how well or how ill he had done.

He himself, in his work on the Bench, always gained a sense of confidence when in a case concerned with finance there was a witness who was an Incorporated Accountant. It was a relief to find a body which did public service for the sake of doing it. Their Society trained men to help their fellow men, and saw that its own high standards were maintained.

Mr. Bertram Nelson (President of the Society of Incorporated Accountants), responding, referred to the happy relations between the legal and accountancy professions, exemplified by the terms in which Sir Terence Donovan had proposed the toast. Both lawyers and accountants were concerned in the interpretation of the law to laymen. They might feel that the standard of Parliamentary draftsmanship had deteriorated in recent years, particularly in relation to Finance Acts, and that the necessity of closing loopholes had militated against the statement of clear principles. Sir Terence had himself suggested to Mr. Nelson some years ago that the reform of tax legislation should be undertaken in stages so that, in each successive Finance Act, some section of the law was codified and reformed. Perhaps also it would be advantageous if every Finance Bill were preceded by a summary of the purposes of that Bill, in the simplest possible language, as had been done with Statutory Instruments during the war years.

In the U.S.A., there was a National Conference of Lawyers and Certified Public Accountants. In some less formal manner, it was desirable that lawyers and accountants in this country should collaborate on many matters of common interest. It should be recognised, however, that the functions of the professions were often quite distinct. It was the function of the legal profession to prepare legal documents and there was danger when an accountant attempted to incorporate a company, just as there was danger when a solicitor attempted to prepare commercial accounts. The accountancy profession acknowledged gratefully the many debts which it owed to the legal profession: it rejoiced in the good relations which existed, based on many personal friendships and on the same common purpose —the same "prior and perpetual retainer on behalf of truth and justice."

Mr. B. A. Apps, A.S.A.A. (President of the District Society) proposed the toast of the City of Portsmouth.

The Lord Mayor of Portsmouth (Councillor G. A. Day) responded. He expressed the wish to see a better Portsmouth, with more and larger hotels. Some of the school buildings were old, but he thought it was more economic to modernise them than to rebuild. In his view it was an unnecessary expense to use buses to take schoolboys to play football, unless long distances were involved.

Mr. G. L. Ratcliffe, F.S.A.A. (Vice-President of the District Society) proposed the toast of the guests, to which responses were made by Mr. A. C. West, O.B.E. (Chief Constable of Portsmouth) and Mr. F. C. Rea (Clerk to the General Commissioners of Income Tax).

## Dinner at Incorporated Accountants' Hall

THE COUNCIL OF the Society of Incorporated Accountants gave a dinner at Incorporated Accountants' Hall on May 15, on the eve of the annual general meeting. The Vice-President, Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., occupied the chair in the regretted absence through indisposition of the President, Mr. Bertram Nelson, F.S.A.A., J.P. Among the guests were The Right Hon. Earl Attlee, K.G., O.M., C.H.; The Right Hon. Peter Thorneycroft, P.C., M.P. (President of the Board of Trade); Sir Frank Lee, K.C.B., C.M.G.; Professor G. C. Allen, M.COM., PH.D.; Mr. H. Beer, C.B., Mr. J. Cowen, and Mr. E. H. S. Marker, C.B. (Board of Trade); Rev. B. Chambers, Vicar of St. Mary le Strand; Mr. B. W. Gould; Professor W. J. Fairbairn, F.S.A.A. (Professor of Accounting in the University of Natal); Mr. R. Thompson, A.S.A.A. (Pretoria); Mr. R. L. Tiffany, A.S.A.A. (Johannesburg); Mr. G. Basu, B.A., F.S.A.A. (Calcutta); and the Presidents and Honorary Secretaries of Branches and District Societies of Incorporated Accountants. A note on the speeches appears on pages 200–202.

## Council Meetings

APRIL 25, 1956

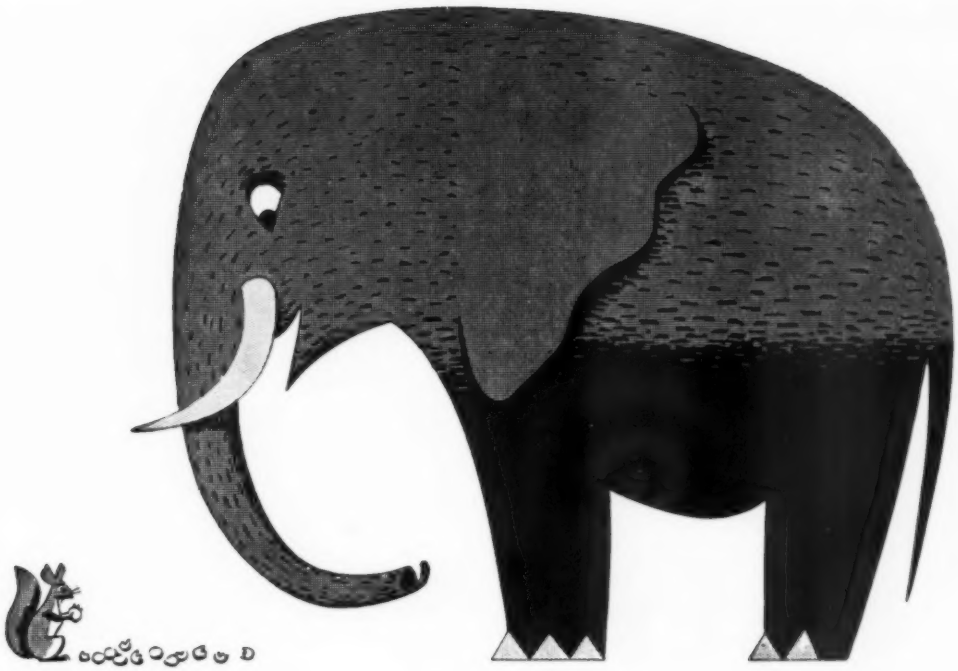
*Present:* Mr. Bertram Nelson (President), Sir Richard Yeabsley (Vice-President), Sir Frederick Alban, Mr. A. Stuart Allen, Mr. F. V. Arnold, Mr. Edward Baldry, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. C. V. Best, Mr. A. Blackburn, Professor F. Sewell Bray, Mr. Henry Brown, Mr. W. F. Edwards, Mr. E. Cassleton Elliott, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. J. A. Jackson, Mr. Hugh O. Johnson, Mr. H. L. Layton, Mr. C. Yates Lloyd, Mr. S. L. Pleasance, Mr. F. E. Price, Mr. F. A. Prior, Miss P. E. M. Ridgway, Mr. P. G. S. Ritchie, Mr. R. E. Starkie, Mr. Joseph Stephenson, Mr. A. H. Walkey and Mr. Richard A. Witty.

The President welcomed Mr. L. C. Hawkins upon his return from Singapore, where he had served as chairman of the Transport Commission (see ACCOUNTANCY, May, 1956, page 164).

The Council congratulated Sir Frederick Alban upon the intimation that the honorary degree of LL.D. was to be conferred upon him by the University of Wales on July 18.

**Reports of Committees**

Reports were received of recent meetings of the Finance and General Purposes, Examination and Membership, Applications, District Societies, Company Law and Practice, and Disciplinary Committees.

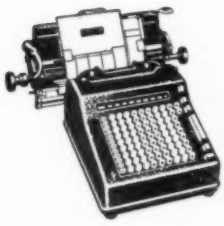


Is your business

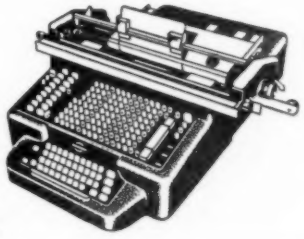
# large? . . . or small?

Small businesses—no less than large ones—derive great savings from the use of mechanical accounting methods; especially when the machines they use are *exactly suited to the scale and scope of the work they do.* With the worlds widest range of "comprehensive" and "specialist" models to choose from (over 70 *standard* models alone) it is not surprising that *National* users are always "*perfectly satisfied*", *delighted with the results*" *and* "*wholly convinced*" of their "*wisdom in making the change*".

## DIRECT-ENTRY ACCOUNTING AND ADDING MACHINES



1



2

3

National

Reg. T.M.

**1** **"Small Office" BOOKKEEPING MACHINES** to bring the advantages and economy of fully integrated machine accounting within the financial compass of small concerns.

**2** **All-Purpose ACCOUNTING MACHINES** Instantaneously adaptable to take anything and everything in their stride. Multi-Total. Electric typewriter for unlimited description.

**3** **High-Speed ADDING MACHINES** to list and total almost anything far faster than ever before. When used for calculation both factors and results are printed out in sequence order.

*Branch Offices in all principal business centres (over 950 offices in over 95 countries)*

**THE NATIONAL CASH REGISTER COMPANY**

206-216 Marylebone Road, London, N.W.1

*Budget 1956 Edition Now Ready*

AUTOMATIC THUMB INDEX

'TAXATION'

# KEY TO INCOME TAX AND SURTAX

**Edited by RONALD STAPLES**

**References to Acts and Cases**
**Practical Examples**
**All Allowances, Reliefs and Rates**
**Full Schedule of Wear and Tear Rates**

## CLEAR, CONCISE, COMPLETE

**224 PAGES**

**ORDER NOW**

***YOUR REFERENCE IN FIVE SECONDS***

**10s 5d POST FREE**

To TAXATION PUBLISHING COMPANY LIMITED
98 Park Street, London, W.1 ★ Mayfair 7888

*Send .....copies of 'KEY TO INCOME TAX' at 10/5 post free.*

*Name and Address*.....

.....

.....

*Remittance £ : s d enclosed.*

*Date*.....

Accy/K.B.E./6/56

**Professional Etiquette**
The Council authorised the publication of the following statement:

> Where a member is invited to undertake special professional work for a company, partnership or individual, such work being in addition to that already being carried out by the client's auditor or professional accountant and where no question of replacement arises, it is desirable for the member invited to undertake the special work to notify the client's auditor or professional accountant.

**International Comparisons in Local Government Finance**
It was reported that a grant of 8,400 dollars was to be made by the Ford Foundation to the Society for the purposes of the research into *International Comparisons in Local Government Finance* which is being undertaken jointly with the Institute of Municipal Treasurers and Accountants.

**Membership**
The Council approved seventeen applications for election to Fellowship and twelve for admission to membership of the Society. A report was received that two members had been registered as members in retirement.

**Resignations**
It was reported that the following members had resigned: COX, Arthur James, Fellow, Johannesburg; SIMPSON, John, Associate, Brisbane.

**Obituary**
The Council received with regret the report of the death of the following members: ARMSTRONG, Alfred Edward (Associate) London; BEREND, Adrian Harry (Fellow) Jacobs, Natal; CANTRELL, Henry James (Associate) Kingswood, Surrey; DALAL, Homi Pestonji (Associate) Bombay; JONES, Horace (Associate) Thames Ditton; MARTIN, Thomas Archdale (Fellow) Hong Kong; MOULDER, Harry (Fellow) Kidderminster; TAMPLIN, John (Fellow) Newport, Mon.; TIPPETT, William John (Associate) Manchester.

MAY 16, 1956

A meeting of the Council was held on May 16 after the annual general meeting of the Society.

**President and Vice-President**
Mr. E. Cassleton Elliott proposed that Sir Richard Yeabsley, C.B.E., be elected President of the Society. This was seconded by Mr. R. Wilson Bartlett and carried unanimously.

Mr. Edward Baldry was unanimously elected Vice-President on the motion of Sir Richard Yeabsley, seconded by Mr. C. Percy Barrowcliff.

**Disciplinary Committee**
The Disciplinary Committee was elected by ballot, in accordance with the Society's articles.

**Reports of Committees**
Reports were received of recent meetings of the Parliamentary and Taxation Committee and of the Applications Committee.

**Membership**
The Council approved applications for advancement to Fellowship and for admission to membership of the Society. It was reported that ten members had been registered as members in retirement.

**Resignations**
The following resignation of membership was reported: BAKER, Harold Feldon (Associate) London.

**Obituary**
The Council received with regret a report of the deaths of the following members: BALDWIN, Harry (Associate) London; BAYLISS, William Mark (Fellow) Oxford; DAFFARN, John William (Fellow) London; GREENWOOD, Thomas Warrington (Associate) Hyde; MASTERS, Charles Lionel (Associate) Wembley; NAYLOR, John (Associate) Blackburn; SLACK, Percy Edgar (Fellow) London; STABLES, Henry Crowther (Associate) Tunbridge Wells; TOWNSEND, Herbert (Fellow) London; VALE, Henry Vincent (Fellow) Cardiff.

# Incorporated Accountants' Benevolent Fund

## Sixty-third Annual Report

THE REVENUE OF the Fund in 1955 at £4,361 shows an increase of £55 over that in the previous year. The rules limit the expenditure in any one year to the amount of the income derived in the previous year from subscriptions and dividends from investments. The income from these sources during the last five years was:

| *Year* | *Subscriptions* | *Dividends from investments and tax recovered from dividends and covenanted subscriptions* | *Total* |
|---|---|---|---|
| | £ | £ | £ |
| 1951 | 2,346 | 1,125 | 3,471 |
| 1952 | 2,460 | 1,281 | 3,741 |
| 1953 | 2,445 | 1,849 | 4,294 |
| 1954 | 2,464 | 1,842 | 4,306 |
| 1955 | 2,462 | 1,899 | 4,361 |

The Trustees express deep gratitude to all who contributed to the Fund, and particularly desire to record their special appreciation of the following gifts during 1955: T. C. Fitton Will Trust (sixth and seventh grants), £155; Estate of W. N. Bubb, decd. (legacy), £105; J. W. Gibson, Bramhall, Cheshire (life subscription), £50; South African Western Branch, £31; Incorporated Accountants' Lodge, £26.

The Trustees are particularly appreciative of the manner in which a number of donors have responded to the appeal to make contributions by way of covenanted subscriptions; the increase in the revenue reflects the advantage of this method of payment.

The Trustees also invite the particular attention of members of the Society to the form of bequest to the Benevolent Fund, which the Honorary Solicitors have kindly drafted.

Certain cases, where grants had been made for a specific purpose, were closed during the year, but nine new applications were received, bringing the total number of beneficiaries in 1955 to 40. The circumstances of certain beneficiaries indicate that it may be necessary to continue grants for several years; this, in turn, gives rise to a corresponding need for a continuance of and an increase in subscriptions to the Fund. In accordance with the established practice, the expenses charged to the Fund are strictly limited to the cost of printing and postage.

In view of the further fall in the market value of trustee investments, the Trustees have decided to transfer £2,000 to investment depreciation reserve.

The grants made during 1955 can be classified as follows:

| | *No. of Cases* | *Total Grants* |
|---|---|---|
| | | £ |
| Widows and dependants of deceased members .. | 20 | 1,912 |
| Education and support of children .. .. .. | 13 | 1,314 |
| Members or former members | 7 | 543 |
| | 40 | 3,769 |

The amounts disbursed to beneficiaries during the past five years were:

| *Year* | *Amount disbursed* | *No. of Beneficiaries* |
|---|---|---|
| | £ | |
| 1951 .. .. | 2,794 | 30 |
| 1952 .. .. | 3,280 | 39 |
| 1953 .. .. | 3,640 | 41 |
| 1954 .. .. | 3,640 | 35 |
| 1955 .. .. | 3,769 | 40 |

The trustees wish to place on record warm appreciation of the assistance received from Honorary Secretaries of District Societies, not only in obtaining information about applications but also in maintaining personal contact between the Fund and its beneficiaries.

Mr. James A. Allen, Incorporated Accountant, London, has indicated his willingness to continue in office as Honorary Auditor, and the Trustees desire to record their grateful thanks for his services to the Fund.

# Seventy-first Annual Report

**President and Vice-President**

AT A MEETING of the Council held on May 17, Mr. Bertram Nelson, Fellow, Liverpool, was re-elected President of the Society for the ensuing year, and Sir Richard Yeabsley, Fellow, London, was re-elected Vice-President.

**Membership**

The membership of the Society as at December 31, 1955, was 10,784. This represents a net increase of 450 in the membership since the corresponding date in 1954.

**Obituary**

The Council records with regret the death of 92 members during 1955. The obituary list includes the names of: James Henry Allen, Honorary Secretary and Treasurer, Northern Ireland District Society 1920–22 and President, 1938/39. William Hadley Ashmole, M.B.E., Vice-President of the South Wales and Monmouthshire District Society 1925/36 and first President of the Swansea and South-West Wales District Society, 1926. William Norman Bubb, a member of the Council 1933–45 and Chairman of the London District Society, 1942/43. Herbert Samuel Bull, President of the Devon and Cornwall District Society, 1937–1941. Henry Edward Colesworthy, President of the Students' Society of London, 1938/39. Donald Dudley Craig, a member of the Committee of the Sheffield District Society, 1935–1950. Maldwyn Edmund, Registrar of the Transvaal Society of Accountants and Secretary of the Joint Council of the South African Chartered Societies. Harry Lee, D.C.M., a member of the Committee of the Bradford and District Society, 1939–1947. Sidney Thomas Morris, Presiden of the Students' Society of London, 1939–1942. Harry Duxbury Myers, President of the Bradford and District Society, 1932/33. Sir Edwin Van-der-Vord Nixon, C.M.G., a member of the Australian Royal Commissions on Taxation (1932) and on Monetary and Banking Systems (1935), Adviser on taxation to the Australian Treasury, 1946–1955. John Stewart, Vice-President of the Scottish Branch, 1950–1955.

**Examinations**

The results of the examinations held during the past two years are set out below:

In all 525 candidates completed their examinations in 1955, compared with 494 in the previous year.

**Articled Clerks and Bye-law Candidates**

The number of articled clerks and bye-law candidates during the past seven years was:

| | *Articled Clerks* | *Bye-law Candidates* | *Total* |
|---|---|---|---|
| 1949 | 538 | 771 | 1,309 |
| 1950 | 559 | 804 | 1,363 |
| 1951 | 532 | 665 | 1,197 |
| 1952 | 475 | 655 | 1,130 |
| 1953 | 575 | 1,005 | 1,580 |
| 1954 | 643 | 707 | 1,350 |
| 1955 | 635 | 624 | 1,259 |

The unusually high bye-law entry in 1953, and to some extent also in 1954, was due to the introduction of new registration regulations. It will be noted that in 1955 more articled clerks were registered than bye-law candidates.

**Stamp-Martin Scholarships**

The Council awarded the Stamp-Martin Scholarship for 1955 to Charles David Pilling, who is reading for the Bachelor of Commerce Degree at the University of Birmingham.

Applications for the 1956 Scholarship should be lodged with the Secretary on or before June 30, 1956.

**Examination Honours**

The Gold Medal was awarded to Norman Girling, Lagos, and the Silver Medal to Norman John Edwards, London.

**Revision of Examination Syllabus**

Some time ago the Council decided that the time had come to re-examine the syllabus for the Intermediate and Final Examinations in the light of the rapidly expanding responsibilities of the accountancy profession. The Council, after considering a special report prepared by a Committee of the Council, approved a revised syllabus for the Intermediate and Final Examinations which is to be brought into operation in November, 1957.

Full information about the revised examinations is contained in the current edition of *Syllabus of Examinations*, copies of which may be obtained from the Secretary.

| | 1955 | | | 1954 | | |
|---|---|---|---|---|---|---|
| | *Sat* | *Passed* | *Per cent.* | *Sat* | *Passed* | *Per cent.* |
| Preliminary .. .. | 335 | 108 | 32 | 417 | 139 | 33 |
| Intermediate .. .. | 1,344 | 597 | 44 | 1,499 | 667 | 45 |
| Final: | | | | | | |
| Part I only .. .. | 1,246 | 577 | 46 | 1,336 | 514 | 38 |
| Part II only .. .. | 683 | 453 | 66 | 605 | 400 | 66 |
| Parts I and II together | 146 | | | 210 | | |
| Passed at one sitting .. | | 39 | 27 | | 52 | 25 |
| Passed Part I only .. | | 23 | — | | 32 | — |
| Passed Part II only .. | | 13 | — | | 34 | — |

**Booklet for Educational Authorities**

The Society has continued to maintain close liaison with the educational authorities.

In 1955, a brochure was prepared for the guidance of headmasters and headmistresses, and a copy was sent to every secondary school in the United Kingdom. Copies were also forwarded through the Ministry of Labour and National Service to each of its 900 youth employment officers. A special edition of the brochure was also prepared for circulation in Ireland.

**Endorsement of Cheques**

In April the Chancellor of the Exchequer appointed a small committee under the chairmanship of Mr. A. A. Mocatta, Q.C., to consider: (1) whether, and if so in what circumstances and to what extent, it is desirable to reduce the need for the endorsement of order cheques and similar instruments received for collection by a bank; (2) what, if any, amendment of the Bills of Exchange Act, 1882, or other statutory provision should be made for this purpose; and to report.

The Council submitted written observations on the accounting and auditing aspects of these matters in August, and in October Mr. W. G. A. Russell, who was supported by Mr. T. W. South, the Secretary to the Research Committee, gave oral evidence on behalf of the Society.

The report of the Committee has not yet been published.

**The Public Trustee**

The Council accepted an invitation to make submissions to the Committee of Enquiry into the work and organisation of the office of the Public Trustee. As a result the Public Trustee agreed to alter his testator's application form so that in future testators may record the names of their professional accountants in addition to those of their bankers, stockbrokers and solicitors.

**Inquiry into Bankruptcy Law**

The President of the Board of Trade has appointed a Committee under the chairmanship of Judge Blagden to consider and report what amendments are desirable in (1) the Bankruptcy Acts, 1914 and 1926, more particularly in regard to the provisions relating to the discharge of bankrupts; and (2) the Deeds of Arrangement Act, 1914. The Council has been invited to submit evidence to this Committee.

**The Companies Act, 1948**

Work on a memorandum embodying suggestions for the amendment of the Act is continuing. Owing to the large field which has to be covered, the memorandum has not yet been completed.

**Auditors' Certificates on Returns to Government Departments**

As a result of representations made to the Council with regard to the form of an audited return of lace machinery required under the Lace Industry (Scientific Research Levy) Order, 1951, an approach was made

raising the general question of the form of auditors' certificates required by the Board of Trade. It is understood that steps have been taken by the Board of Trade to replace the lace industry form, and that arrangements have been made to look into the form of other certificates.

**Accountants' Certificates for Solicitors**

Under the Accountant's Certificate (Amendment) Rules, 1954, which came into force on November 16, 1954, practising solicitors are required to deliver accountants' certificates to the Registrar of Solicitors not later than six months after the expiration of their accounting year.

The new rule (Rule 9A) reads as follows: The accounting period specified in an accountant's certificate required to be delivered to the Registrar on or after the sixteenth day of November, 1954, shall terminate not more than six months before the date of such delivery.

**Professional Etiquette**

From time to time advice has been sought by members about their position in relation to business interests outside normal accountancy practice. Many members of the Society, quite properly in the course of their practice, act as directors or officers of companies or associations carrying on business not related to accountancy. Objection would arise, however, if members holding these offices used facilities thus available in a manner discreditable to Incorporated Accountants (for example, by directly or indirectly soliciting accountancy work). The fundamental principle is that a member of the Society should not do anything through a company, an ancillary practice or an agency, that he is not allowed to do as an individual.

**Banks and Accountancy Work**

In 1936 assurances to the following effect were received from the Committee of the London Clearing Bankers:

(1) It is not the policy of the banks to open offices for the purpose of carrying on income-tax work. Where this has been done it has been for the convenience of the banks concerned in decentralising their work or in some cases because of increased local demand from customers.

(2) The banks consider that they are entitled to make known their willingness to carry out for their customers incidental services such as advice on income-tax matters. Such advertising is addressed only to their customers and to potential new customers. It is not their practice to solicit income-tax work from those who are not their customers, although they occasionally agree to do such work upon request as the result of recommendation by a satisfied customer.

(3) It is not the policy of the banks to undertake complicated tax investigations for commercial undertakings, and though their advice is available to their customers, it is their practice to refer them in such cases to a professional accountant.

During 1955 the Council had occasion to make representations to certain banking interests about the application of these assurances in specific circumstances and about banking practice in relation to the preparation of farmers' accounts. Although in the past it had been the practice of many Banks to prepare accounts for farmer customers, an assurance was given that it was not intended that this work should be extended and it was confirmed that in future farmers would be recommended to instruct accountants to prepare their accounts.

**Retirement Provisions for Self-Employed Persons**

As a result of consultations initiated by the Law Society between some twenty professional bodies, deputations on their behalf were received by the then Chancellor of the Exchequer in March, 1955, and in February, 1946, by the Financial Secretary to the Treasury. On each occasion, the deputation urged the importance of early legislation to give effect to the recommendations of the Millard Tucker Committee on the taxation treatment of retirement provisions relating to self-employed persons. The Society's representatives on the *ad hoc* joint committee of the professional bodies are Mr. C. V. Best and Mr. J. A. Jackson.

**Accountants' Joint Parliamentary Committee**

The Accountants' Joint Parliamentary Committee has continued its work of watching all parliamentary matters relating to the qualification and status of accountants and auditors. Throughout the year under review the joint committee has been succcessful in maintaining the adoption of a form of audit clause which confines in effect the choice of professional auditor to members of the accountancy bodies represented on the joint committee.

The Council is pleased to be able to report that the controversy with the Ministry of Housing and Local Government on the issue of district and professional audit has now been finally resolved in favour of the profession. The joint committee had been pressing successive governments to allow joint boards composed of local authorities to have the option of choosing either system of audit. Eventually the issue was brought before a Select Committee of the House of Lords in connection with the Kent Water Bill and the Committee endorsed a previous decision of the House of Commons and thus established the right of option without question. The Select Committee added a rider to the effect that since several Committees of both Houses of Parliament had decided in favour of professional audit, it was no longer justifiable for the Minister to recommend the compulsory imposition of district audit.

The Council is also pleased to be able to report that the Government has accepted in principle an amendment to the Sugar Bill which will ensure that the accounts of the Sugar Board, if established, will be subject to audit by professional auditors instead of by the Comptroller and Auditor General as proposed by the Bill in the form in which it was introduced into Parliament.

**The Stamp-Martin Chair and Research**

Professor Bray delivered two further research lectures at the Hall in the series on *Accounting Dynamics*, one in the Easter term and the other in the Michaelmas term. Both lectures were published in *Accounting Research* and reproduced in the Reprint Series. In the Lent Term he gave a paper on *A Formal Review of Social Accounting* to the Liverpool Economic and Statistical Society. He also addressed a conference of The Association of Incorporated Statisticians at Oxford in September on *Economic Accounting: A Study in Conceptional Relationships*, and in November he gave a paper on the same theme to the National Conference of the British Institute of Management at Harrogate.

Ten open seminars were held at the Hall on the following subjects: Fundamental Research—Professor J. R. N. Stone (Cambridge); Regulating the Level of Stocks—Mr. A. R. Ilersic (London); A Case Study Discussion on an Investment Proposal Involving Cost Calculations and Alternative Proposals—Professor H. F. Craig (Harvard); Efficiency Audits—Mr. S. F. Twena (a research student); Some Doubts about Depreciation—Mr. L. Goldberg (Melbourne); Economic and Accounting Concepts of Costs and their Relevance to Policy Decisions—Professor D. Solomons (Bristol); Opportunity Costs—Mr. R. Warwick Dobson; Problems of Social Accounting—Mr. D. K. Burdett; Operational Research and Accounting—Mr. A. T. Wilford; Some Aspects of American Accounting—Professor W. T. Baxter (London).

Eight Practice Notes and seven Reprints were published during the year. Copies can be obtained from the Secretary.

At the invitation of Professor C. F. Carter, Professor Bray formed an accountants' advisory group to give evidence on the financial, taxation and death duty implications affecting the application of research developments by firms, to members of the Science and Industry Committee appointed by The Royal Society of Arts, The British Association for the Advancement of Science and The Nuffield Foundation. Three meetings have been held at the Hall.

The group of accountants and economists formed to study interfirm comparisons with members of the British Institute of Management has held eight meetings at the Hall and has now reached the report stage.

The special committees formed to consider (1) the effect of de-rating and re-rating on industrial costs and (2) internal auditing have also reached report stages in their work.

The long term study in *International Comparisons in Local Government Finance*, under the direction of Mrs. Ursula Hicks,

has made good progress during the year, but in view of the quantity of data made available from all parts of the world it will be some time before an interim report can be issued.

A number of books are proposed on research subjects, but in view of rising publication costs some restriction will have to be placed on their order of appearance. The manual on costing and management accounting in the footwear industry has entailed more detailed work than was expected but it will be published in 1956.

Work is proceeding on a revision of *Standard Practice in Auditing*. Other contemplated publications include *Working Capital in Periods of Fluctuating Values*, and *Cost Control as an Aid to the Measurement of Productivity Efficiency in a Specialist Industry*.

The collection of data for the next issue of the *Register of International Research in Accounting* is proceeding. In view of its wide coverage very considerable work is involved in its preparation, but is should be ready for publication in 1957.

The proposed text on the *Accounting Application of Statistical Methods* has been the subject of further study during the year. Those concerned with its preparation and direction are anxious that it should be an essentially practical text. As a consequence, this is involving further revisions and a rewriting of the text.

During the coming year it is hoped to make a start on the auditing and other implications of electronic accounting.

The Professor has again received a number of visiting scholars at the Hall, and has been in frequent communication with universities, research institutions, professional bodies and other correspondents overseas. He has advised members of the profession on post-graduate degrees and has been referred to by graduates wishing to qualify as accountants. During the year he attended Durham University as external examiner in accountancy. The Professor has been consulted on accounting matters affecting specialist research contributions in other fields of enquiry, and by District Societies concerned to promote research in their own areas. At the end of the year, 27 members were registered as research students.

In April, Mr. T. W. South spoke on the research work of the Society at a luncheon meeting of the Birmingham and District Society.

**Branches and District Societies**

The Council again records its indebtedness and gratitude to the officers and committees of Branches and District Societies for their work on behalf of the Society.

The annual conference between representatives of Branches and District Societies and members of the Council was held in London on May 18. Other meetings between Presidents, Honorary Secretaries and Officers of the Society were held on May 17 and November 30.

During the year some 450 meetings were arranged for members and students. In addition residential pre-examination courses were arranged by the Manchester, Bradford and Yorkshire District Societies and by the London Students' Society.

The rules for District Societies were reviewed by the Council and revised rules have now been approved for adoption in 1956.

The boundary between the London and East Anglia District Societies was adjusted and members in the Colchester and Ipswich areas were transferred to the East Anglia District Society. Upon the resignation of Mr. R. H. Taylor, the Honorary Secretaryship of the East Anglia District Society was assumed by Mr. E. F. G. Turner.

South African Branches

A summary of the report of the South African Branches is to be found below. The membership of the three branches at December 31, 1955, was 584. The number of articled clerks on the Branch registers at that date was 352 (Western 18, Northern 283, Eastern 51).

A South African Council has been established to co-ordinate the work of the three branches in the Union. At the first meeting in October, Mr. A. R. Butcher, Durban, was elected Chairman.

In addition to the Society's nominee, Mr. A. R. Butcher, eight members of the present Public Accountants' and Auditors' Board are Incorporated Accountants, including the Chairman, Mr. J. C. Macintosh, and the Vice-Chairman, Mr. R. H. Button. The Society is represented on each of the four local Committees of the Board.

The Council records with pleasure the visits to London in May of Mr. G. E. Noyce, a former Chairman of the Public Accountants' and Auditors' Board, and Mr. R. D. Meeser, the then Chairman of the Northern Branch. In November Mr. J. A. Jackson visited Johannesburg and addressed the members of the Northern Branch.

Central African Branch

The membership of the Central African Branch as at December 31, 1955, was 113 and there were 49 articled clerks on the Branch register.

Twelve members of the Council of the Rhodesia Society of Accountants are Incorporated Accountants, including the President, Mr. H. B. Hone, and the two Vice-Presidents, Mr. S. G. Harsant and Mr. W. B. Murray.

The Council is pleased to record that the Chairman of the Branch, Mr. J. Craig Allan, and Mr. K. M. Lewis visited London in August and attended a meeting of a committee of the Council at which the problems of the profession in the Federation of Rhodesia and Nyasaland were discussed.

**Vice-President's Visit to Australia**

In November the Vice-President sailed to Australia where he and Lady Yeabsley were entertained in Melbourne, Sydney and Brisbane by the Councils and some of the State Councils of the Institute of Chartered Accountants in Australia and of the Australian Society of Accountants. Sir Richard and Lady Yeabsley also had the pleasure of meeting a number of Incorporated Accountants in Sydney and Melbourne.

The Council records its gratitude to the Australian Institute and Society and to the members of the Society in Australia for their great kindness and hospitality to Sir Richard and Lady Yeabsley.

**The Association of Accountants in East Africa**

There is no branch of the Society in East Africa, but all Incorporated Accountants are entitled to membership of the Association of Accountants in East Africa. This Association was established some eight years ago and its membership of approximately 170 includes members of the main United Kingdom and Commonwealth accountancy bodies who are resident in East Africa.

Mr. J. A. Jackson was invited to attend a meeting of the Council of the Association in Nairobi in November at which matters of common interest were discussed. The Council records its gratitude to the Council of the Association for the hospitality extended to Mr. Jackson.

**International Congress on Accounting, 1957**

The Seventh International Congress on Accounting will be held in Amsterdam from September 9 to 13, 1957. The Netherlands Institute of Accountants (Nederlands Instituut van Accountants) and the Association of University Trained Accountants (Vereniging van Academisch Gevormde Accountants) have appointed a Congress Committee under the chairmanship of Mr. J. Kraayenhof, with Mr. A. L. de Bruyne, Director of the Netherlands Institute, as secretary, and it is hoped to publish soon the outline programme for the Congress. Members who wish to be kept informed about the arrangements are invited to communicate with the Secretary.

**Anniversaries of Accountancy Bodies**

Three important anniversaries were commemorated in 1955. In March the Institute of Chartered Accountants of Scotland celebrated the centenary of the Institute of Accountants and Actuaries of Glasgow. In May the Institute of Chartered Accountants in England and Wales celebrated its 75th Anniversary at a Banquet in Guildhall, and later in the same month the Netherlands Institute of Accountants commemorated its Diamond Jubilee at Scheveningen.

The Council records its gratitude to all three Institutes for the cordial welcome and generous hospitality extended to the representatives who had the pleasure of representing the Society at these anniversaries.

**Incorporated Accountants' Course**

A course, attended by 139 members, was held at King's College and Gonville and Caius College, Cambridge, from September 22 to 27. Papers were presented by Mr. W. G. A. Russell, on *Valuation of Stock and*

# The Institute of Taxation

*President:* JAMES WOOD, A.C.A.

*Vice-Presidents:* STANLEY A. SPOFFORTH, F.C.A., F.S.A.A., F.C.I.S.
FREDERICK BIDSTON, F.A.C.C.A., F.C.I.S.

*Secretary:* G. B. BURR, F.C.I.S.

Membership of the Institute is open only to applicants who have passed either the examinations conducted by the Institute of Taxation or the final examination of certain professional bodies.

Fellows and Associates receive: A text-book, annotated copies of Finance Acts, half-yearly Digests of Tax Cases and monthly circulars on special taxation subjects.

Students and others may subscribe to a scheme under which they receive all the publications, except that the circulars are not issued monthly, but as and when important new taxation subjects arise.

Examinations for Fellowship and Associateship are held half-yearly. Copies of past Associateship Examination papers, with suggested answers, are available at 3s. 9d. each, post free.

Further particulars may be obtained from:

***THE SECRETARY***

**THE INSTITUTE OF TAXATION, CLIFFORD'S INN, LONDON, E.C.4**

*I have to offer, on behalf of clients, by whom I am retained, to*

☞ Trustees, Solicitors
☞ Institutions
☞ Accountants, Principals

or their Agents, having funds to lend in amounts of £5,000 to £50,000, on unquestionable security and covenant,

**Fixed Term Mortgages**
with interest rates at 1% over Bank Rate

**Short Term Mortgages**
with interest rates at 2% over Bank Rate secured on Freehold Offices, Shops and Industrial premises.

*Please communicate with me—*

☞ **J. Maxwell Signy**
*Mortgage and Debenture Broker*
6 NORFOLK STREET, LONDON, W.C.2
Telephones: COVent Garden 0455/1091

**THE WORLD'S GREATEST BOOKSHOP**

**FOYLES**
FOR BOOKS

*NEW, SECONDHAND, RARE*

***Books***

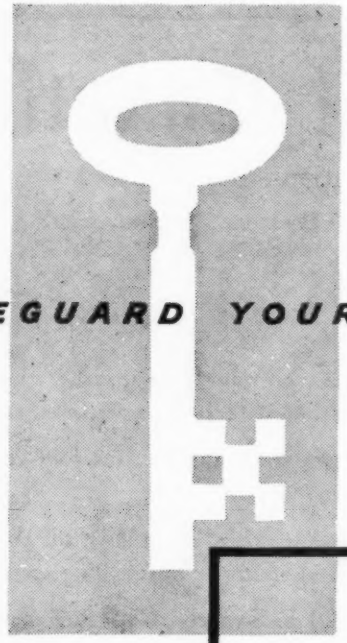
*ON EVERY SUBJECT*

*Foyles have Departments for Music, Records, Stationery, Handicraft Tools and Materials, Magazine Subscriptions, Lending Library, Foreign Stamps, Children's Books.*

**JOIN THE BOOK CLUB!** ***You buy best-selling Novels (published at 10/6, 12/6 & more) for ONLY 4/-. Write today for details!***

**119-125 CHARING CROSS ROAD, LONDON, W.C.2**

GERrard 5660 (20 lines) Open 9-6 (Inc. Sats.)
Two minutes from Tottenham Court Road Station



Today an increasing number of responsible people are turning to the professional man for advice on questions, in relation to their personal affairs, which call for up-to-date knowledge of specialised subjects.

**SAFEGUARD YOUR CLIENTS INTERESTS**

The United Kingdom Provident is in a particularly strong position to provide you with information on all topics relating to Life Assurance. We have been in business for 115 years and our latest figures are the highest ever. Current bonus rates are 45/- and 46/- per cent per annum *and they are compound.*

We have booklets which will prove helpful and, may be, profitable. Send for them today.

UNITED KINGDOM PROVIDENT INSTITUTION

33 Gracechurch Street, London, E.C.3
Mansion House 6543

**FAMILY WELFARE ASSOCIATION**

OFFERS A UNIQUE SERVICE TO

**ACCOUNTANTS — TRUSTEES**

AND OTHER OFFICIAL AND PRIVATE PERSONS INTERESTED IN THE MAKING AND EXECUTION OF

**LEGACIES AND CHARITABLE BEQUESTS**

★ Free advice as to the status and financial position of charitable Organisations.

★ Information regarding Charities affected, and not affected by Act of Parliament.

★ Help and advice as to the needs of Charities for those making gifts or bequests.

FOR 86 YEARS THIS HAS BEEN PART OF THE SERVICE PROVIDED BY THE ASSOCIATION

**FAMILY WELFARE ASSOCIATION**

**296 VAUXHALL BRIDGE ROAD**
**LONDON, S.W.1**

VICTORIA 7334

**SOUND TUITION**

*plus*

**A CLEAR-CUT GUARANTEE**

is the R.R.C. formula for

***YOUR SUCCESS***

in the Examinations of

**THE INSTITUTE**

and

**THE SOCIETY**

Also for A.C.C.A., I.C.W.A., I.M.T.A., C.I.S., etc.

**Before making plans for further study, you are cordially invited to send for free details of the efficient, inexpensive training with NO PASS—NO FEE GUARANTEE provided by the College.**

**Your inquiry places you under no obligation.**

***WRITE TODAY, specifying interest, to THE PRINCIPAL, Dept. AY,***

**THE RAPID RESULTS COLLEGE**

TUITION HOUSE LONDON, S.W.19

*Work in Progress*; Mr. H. Major Allen, Barrister-at-Law, on *Advising on Taxation*; Mr. H. L. Layton, on *The Changing Pattern of Audit Practice*. The papers presented by Mr. Russell and Mr. Layton were subsequently printed as Practice Notes.

There was also a discussion during the course on *What are the Defects in the Accountant's Contribution to Management?* led by Mr. W. F. Edwards and Mr. J. A. Jackson.

A dinner was held in King's College on the last evening of the course when the Society had the pleasure of entertaining the then Vice-Chancellor of the University (the Rt. Hon. H. U. Willink), Sir George Paget Thomson (Master of Corpus Christi), Mr. A. W. Christmas (Vice-President of the New Zealand Society of Accountants), Professor J. R. N. Stone (P. D. Leake Professor and an honorary member of the Society) and other representatives of the University.

**Society Dinners**

Dinners were held at Incorporated Accountants' Hall in March, May and November at which the principal guests were the Lord Chancellor, Earl Jowitt, the Rt. Hon. Reginald Maudling, M.P., and Sir Harry Pilkington (the then President of the Federation of British Industries).

**Articles of Association and Bye-Laws of the Council**

At an extraordinary general meeting held on May 17 the Articles of Association were amended in the following respects:

(1) a general increase of two guineas in the membership subscription rates payable by members in the United Kingdom and the Republic of Ireland, except in the case of Associates not in practice where the increase is one guinea only.

(2) a variation in the constitution of the Council to provide that its membership shall in future consist of not more than thirty-six elected members (including at least one from Scotland) together with those Past Presidents of the Society who are willing to act.

(3) clarification of the position of a member suspended by the Disciplinary Committee under the provisions of Article 32.

(4) future editions of the Society's *List of Members* are to be published at such intervals of time and on such terms as may be decided by the Council in the light of conditions prevailing from time to time. (The Council subsequently decided that the next edition shall be published in 1957 and that one copy shall be sent free of charge to each member.)

In July the Council adopted a new Bye-law (Bye-law 27) under which, in the absence of special circumstances, articled clerks and bye-law candidates are now required to pass the Final examination within a period of ten and eleven years respectively after registration.

**Disciplinary Committee**

Upon consideration of reports from the Disciplinary Committee three members were excluded from membership of the Society at special meetings of the Council. In addition, two members were suspended by the Disciplinary Committee from the rights and privileges of membership, one for one year and the other for eighteen months, and three other members were censured.

**Incorporated Accountants' Hall**

Because of the cost the Council decided not to proceed for the time being with the proposed extension to the Hall. The necessary preparatory work was completed by the Society's architect and surveyors, and consequently, should circumstances alter, the work can be commenced without delay.

**List of Members**

The Council hopes to publish the next edition of the *List of Members* in the spring of 1957.

**The Society of Incorporated Accountants and Auditors of India**

In November, 1952, the attention of the Council was drawn to the formation in Delhi of an accountancy organisation with the title "The Society of Incorporated Accountants and Auditors of India" which encouraged its members to use the designation "Incorporated Accountant" and the initial letters "A.S.A.A." and "F.S.A.A."

In three press notes dated September 3, 1953, October 31, 1953, and May 27, 1955, the Government of India made it clear that the Indian organisation was not connected in any way with the Society and that, unlike the Society, it was not recognised either by the Government of India or by the Institute of Chartered Accountants of India.

In the circumstances the Council felt obliged to institute legal proceedings in India for an injunction to restrain the Indian organisation from continuing to use a title so similar to that of the Society and for other appropriate relief. An application for an interim injunction pending the trial of the action was made, but was refused. On the advice of the Society's legal advisers an appeal has been lodged, but has not yet been heard.

**Library**

During the year over 150 books were presented to the library. These, together with a number of books dating back to the sixteenth century, including a copy of what is thought to be the oldest book on bookkeeping in English, Ympyn Christoffel's *Nouvelle Instruction* of 1547, have been placed in the gift section shelves of the library. The Council records its gratitude to those members who donated books during 1955.

**Appointments Department**

Members have made increasing use of the Society's Appointments Department. Employers who have vacancies and members seeking new posts are invited to communicate with the Appointments Officer.

**Honours, Decorations and Awards**

The Council congratulates the following Incorporated Accountants named in recent Honours Lists: *C.B.E.:* Vernon William Grosvenor, LL.B., Birmingham; John Angus Lancaster Gunn, Sydney; Arthur Hedley Marshall, B.SC., PH.D., Coventry; Victor Herbert Merttens, B.A., Nairobi; Bertram Nelson, Liverpool. *O.B.E.:* Lloyd William Ambrose, Manchester; John Charles Boyle, Basingstoke; Harold Charles Carter, Freetown; Thomas Proudlove, London; Robert Sutcliffe, M.B.E., Middlesbrough. *M.B.E.:* Richard William Henry Biss, London.

**Council**

The resignation in July, 1955, of Mr. H. J. Bicker, Bournemouth, from membership of the Council is recorded with regret. Mr. Bicker had served on the Council for four years. This vacancy has not been filled by the Council under the provisions of Article 48.

Mr. W. H. Marsden, who has been a member of the Council for the past six years, will retire at the annual general meeting on May 16, 1956, under the provisions of Article 49. The Council records with regret that Mr. Marsden has intimated he will not seek re-election at that meeting. The following nine members also retire from the Council at the annual general meeting on May 16, 1956, under the provisions of Article 49, but, being eligible, offer themselves for re-election: John Ainsworth, Frederick Vernon Arnold, Robert Bell, Henry Brown, William Frederick Edwards, James Alfred Jackson, Hugh Oliver Johnson, Festus Moffat, Frederick Arthur Prior.

As recorded earlier in this report, Article 40 (*a*) was amended at the extraordinary general meeting held in May, 1955, to provide that the Council shall consist of not more than thirty-six elected members (together with those Past Presidents of the Society who are willing to act). Since there are now only thirty elected members of the Council, which number will be reduced to twenty-nine on the retirement of Mr. Marsden, there will be seven vacancies to be filled at the annual general meeting on May 16, 1956, and the Council nominates the following members for election: Mervyn Bell, Fellow, Dublin; William Robert Booth, Associate, London; Percival Dorton Pascho, Fellow, Plymouth; John William Richardson, Fellow, Sheffield; Cecil Harry Sutton, Fellow, Norwich; Robert Clifford Lloyd Thomas, Fellow, Newport, Mon.; Ernest John Waldron, Fellow, Southampton.

**Auditors**

Mr. Stanley I. Wallis, Fellow, and Mr. James A. Allen, Fellow, have indicated their willingness to continue in office as Auditors.

**Capel House (Medcalf) Trust**

Colonel Medcalf, the founder of the trust, continues to reside in Capel House, and the income of the trust fund to date has been accumulated and invested.

*BALANCE SHEET as at December 31, 1955*

| 1954 £ | | £ | £ |
|---|---|---|---|
| | ACCUMULATED FUND: | | |
| 100,000 | Balance at December 31, 1948 .. | | 100,000 |
| | INCOME AND EXPENDITURE ACCOUNT: | | |
| 5,637 | Balance .. .. .. .. | | 2,861 |
| 105,637 | | | 102,861 |
| 29,700 | 5 PER CENT. MORTGAGE DEBENTURES | | 29,675 |
| | RESEARCH COMMITTEE: | | |
| 1,076 | Unexpended Grants .. .. | | 2,490 |
| | "ACCOUNTANCY": | | |
| — | Reserve for future increases in publication costs, etc. .. .. | | 1,426 |
| — | PROVISION: Biennial List of Members | | 3,000 |
| | CURRENT LIABILITIES: | | |
| 17,872 | Creditors and Accrued Charges .. | 9,520 | |
| 5,505 | Subscriptions and Fees received in Advance .. .. .. .. | 6,546 | |
| | | | 16,066 |
| 159,790 | | | 155,518 |
| | SPECIAL PRIZE TRUST FUNDS: | | |
| 529 | Henry Morgan Memorial .. | 529 | |
| 547 | Arthur E. Piggott (Manchester) Memorial .. .. .. .. | 547 | |
| 512 | Irish Jubilee Prize Trust Fund .. | 512 | |
| | | | 1,588 |
| £161,378 | | | £157,106 |

*Note: The Society is under obligation to contribute to the Staff Superannuation Fund such sums as may be necessary to restore any deficiency disclosed upon a periodical actuarial valuation. A valuation at December 31, 1953, showed a surplus of £950.*

BERTRAM NELSON,
*President*

E. CASSLETON ELLIOTT,
*Chairman of the Finance Committee*

| 1954 £ | | £ | £ |
|---|---|---|---|
| | FIXED ASSETS: | | |
| | FREEHOLD PROPERTY | | |
| | Incorporated Accountants' Hall at cost .. .. .. | 108,670 | |
| | *Less* Members' contributions and amounts written off .. .. | 1,563 | |
| 107,107 | | | 107,107 |
| | FURNITURE AND FITTINGS: | | |
| | Book value at December 31, 1931, with additions at cost, less disposals and war damage compensation .. .. .. | 10,299 | |
| | *Less* Accumulated depreciation | 6,770 | |
| 3,607 | | | 3,529 |
| | LIBRARY: | | |
| 300 | Book Value at December 31, 1947 | | 300 |
| 111,014 | | | 110,936 |
| | INVESTMENTS, AT COST: | | |
| | £20,229 2½% National War Bonds 1954–56 .. .. .. | 20,000 | |
| | £6,500 4% Funding Stock 1960–90 .. .. .. | 5,879 | |
| | £3,000 3½% Conversion Stock .. | 2,976 | |
| | £2,500 2½% Savings Bonds 1964–67 .. .. .. | 2,500 | |
| | £2,000 3½% Defence Bonds .. | 2,000 | |
| | £1,000 3% Defence Bonds .. | 1,000 | |
| 12,355 | | | 34,355 |
| | *Market value at December 31, 1955:* £33,346 (*1954: £12,725*) | | |
| | CURRENT ASSETS: | | |
| 567 | Sundry Stocks .. .. .. | 497 | |
| 1,946 | Stocks of current Research Committee publications .. .. | 2,480 | |
| 2,744 | Debtors and Prepayments .. | 4,593 | |
| 31,164 | Bank and Cash Balances .. | 2,657 | |
| | | | 10,227 |
| 159,790 | | | 155,518 |
| | SPECIAL PRIZE TRUST FUNDS: | | |
| | Henry Morgan Memorial— | | |
| 500 | £500 2½% Treasury Stock, at cost .. .. .. .. | 500 | |
| | Arthur E. Piggott (Manchester) Memorial: | | |
| 500 | £500 3% Savings Bonds 1965–75, at cost .. .. | 500 | |
| | Irish Jubilee Prize Trust Fund: | | |
| 500 | £500 5% Society of Incorporated Accountants Mortgage Debentures, at cost .. | 500 | |
| | *Market value at December 31, 1955:* £1,180 (*1954: £1,300*) .. | 1,500 | |
| 5 | Income Tax recoverable .. | 5 | |
| 83 | Balance at Bank .. .. | 83 | |
| | | | 1,588 |
| £161,378 | | | £157,106 |

## REPORT OF THE AUDITORS TO THE MEMBERS

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Society so far as appears from our examination of those books. We have examined the annexed Balance Sheet and Income and Expenditure Account which are in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1948, in the manner so required and the Balance Sheet gives a true and fair view of the state of the Society's affairs as at December 31, 1955, and the Income and Expenditure Account gives a true and fair view of the income and expenditure for the year ended on that date.

STANLEY WALLIS,
JAMES A. ALLEN,
*Incorporated Accountants,*
*Auditors.*

*London. April 10, 1956.*

*INCOME AND EXPENDITURE ACCOUNT for the year ended December 31, 1955*

| 1954 £ | £ | | £ | £ |
|---|---|---|---|---|
| | | ESTABLISHMENT CHARGES | | |
| 301 | | Rent and Rates: Essex Street and Arundel Street Offices | 386 | |
| 1,566 | | Rates: Hall .. .. .. | 1,566 | |
| 2,734 | | Heating, Cleaning and Lighting | 2,965 | |
| 465 | | Insurance .. .. .. | 466 | |
| 230 | | Repairs and Renewals .. | 350 | |
| 510 | | Depreciation—Furniture and Fittings (Freehold Property, nil) .. .. .. .. | 545 | |
| | 5,806 | | | 6,278 |
| | | ADMINISTRATION EXPENSES: | | |
| 18,713 | | Salaries and Pension Fund .. | 19,950 | |
| 2,517 | | Travelling and Incidental Expenses .. .. .. | 2,508 | |
| 3,193 | | Printing and Stationery .. | 3,331 | |
| 1,318 | | Stamps, Telegrams and Telephones .. .. .. | 1,407 | |
| 1,030 | | Publications of Reports and Meetings .. .. .. | 293 | |
| 1,257 | | Legal and Parliamentary Expenses .. .. .. | 981 | |
| 237 | | Audit Fees and Expenses .. | 241 | |
| 842 | | Miscellaneous Expenses .. | 699 | |
| | 29,107 | | | 29,410 |
| | | GENERAL EXPENSES | | |
| 73 | | Chambers of Commerce Subscriptions .. .. .. | 76 | |
| 529 | | Representation Abroad .. | 150 | |
| 1,761 | | Entertainment Expenses .. | 1,869 | |
| 2,463 | | Biennial List of Members (proportion) .. .. .. | 3,000 | |
| 26 | | *Donations* .. .. .. | — | |
| | 4,852 | | | 5,095 |
| | | EDUCATIONAL AND RESEARCH EXPENSES | | |
| 1,287 | | Stamp-Martin Chair of Accounting .. .. .. | 1,211 | |
| 1,000 | | Grant to Research Committee | 1,500 | |
| 100 | | Grant to "Students' Telephone" .. .. .. | 100 | |
| 418 | | Library Additions .. .. | 457 | |
| 77 | | Universities Scheme .. .. | 57 | |
| 288 | | Cambridge Course .. .. | 239 | |
| 33 | | Stamp-Martin Scholarship .. | 133 | |
| | 3,203 | | | 3,697 |
| | | BRANCHES AND DISTRICT SOCIETIES: | | |
| | 9,431 | Grants and Panel of Lecturers' Expenses .. .. .. | | 10,101 |
| | | FINANCIAL CHARGES AND TAXATION: | | |
| 1,493 | | Debenture Interest—Gross .. | 1,484 | |
| 189 | | Income Tax (1955/56) .. | 362 | |
| 22 | | Corporation Duty (1955/56) .. | 24 | |
| | 1,704 | | | 1,870 |
| | 54,103 | | | 56,451 |
| | | EXAMINATIONS | | |
| | 17,170 | Direct Expenses and Prizes .. | | 17,602 |
| | £71,273 | | | £74,053 |
| | 196 | EXCESS OF EXPENDITURE OVER INCOME FOR YEAR .. .. | | 1,876 |
| | — | "ACCOUNTANCY"—Surplus for 1955 carried forward as Reserve against furutre increases in publication costs, etc. .. | | 1,426 |
| | — | FEES paid and estimated in connection with proposed new wing to the Hall .. .. | | 900 |
| | 5,637 | BALANCE carried to Balance Sheet | | 2,861 |
| | £5,833 | | | £7,063 |

| 1954 £ | £ | | £ | £ |
|---|---|---|---|---|
| | | GENERAL INCOME | | |
| 40,852 | | Subscriptions .. .. .. | 42,249 | |
| 5,581 | | Entrance Fees .. .. | 6,710 | |
| 1,576 | | Sundry Fees and Receipts .. | 1,453 | |
| 29 | | *Hiring Fees of Hall* .. .. | — | |
| | 48,038 | | | 50,412 |
| | | CONTRIBUTIONS in respect of Head Office Administrative Services | | |
| 400 | | London and District Society | 400 | |
| 1,750 | | London Students' Society .. | 1,750 | |
| | 2,150 | | | 2,150 |
| | | INTEREST RECEIVABLE: | | |
| 466 | | Investments—Gross .. .. | 960 | |
| 286 | | Bank Deposit Interest .. | 176 | |
| | 752 | | | 1,136 |
| | 50,940 | | | 53,698 |
| | 20,137 | EXAMINATION FEES .. .. | | 18,479 |
| | 196 | EXCESS OF EXPENDITURE OVER INCOME FOR YEAR .. .. | | 1,876 |
| | £71,273 | | | £74,053 |
| | 5,309 | BALANCE brought forward from 1954 .. .. .. .. | | 5,637 |
| 16,648 | | "ACCOUNTANCY"—Income .. | 17,472 | |
| 16,634 | | *Less* Expenditure .. .. | 16,046 | |
| | 14 | | | 1,426 |
| | 510 | *Refund of Income Tax in respect of the years 1951/52 to 1953/54 inclusive* .. .. .. | | — |
| | £5,833 | | | £7,063 |

## CAPEL HOUSE (MEDCALF) TRUST

*INCOME AND EXPENDITURE ACCOUNT for the year ended December 31, 1955*

| Period to 31.12.54 £ | | £ |
|---|---|---|
| 71 | INSURANCE .. .. .. .. .. | 51 |
| — | INCOME TAX IRRECOVERABLE (Restricted Double Taxation Relief) .. .. .. .. | 91 |
| 2,302 | BALANCE, being excess of income over expenditure for year .. .. .. .. | 1,752 |
| £2,373 | | £1,894 |

| Period to 31.12.54 £ | | £ |
|---|---|---|
| 430 | RENT OF CAPEL HOUSE .. .. .. .. | 323 |
| 1,943 | DIVIDENDS AND INTEREST (gross) .. .. | 1,571 |
| £2,373 | | £1,894 |

*BALANCE SHEET as at December 31, 1955*

| 1954 £ | | £ | £ |
|---|---|---|---|
| | CAPITAL ACCOUNT: | | |
| 27,922 | Balance at January 1, 1955 .. .. | | 27,922 |
| | INCOME AND EXPENDITURE ACCOUNT: | | |
| | Balance at January 1, 1955 .. .. | 2,302 | |
| | *Add:* Excess of income over expenditure for year .. .. .. | 1,752 | |
| | | 4,054 | |
| 2,302 | *Less:* Income Tax irrecoverable prior to December 31, 1954 (Restricted Double Taxation Relief) .. .. | 128 | 3,926 |
| £30,224 | | | £31,848 |

| 1954 £ | | £ | £ |
|---|---|---|---|
| — | FREEHOLD PROPERTY OF CAPEL HOUSE AND CONTENTS (not valued) .. .. | | — |
| | INVESTMENTS (at valuation at date of transfer to trustees, and subsequent purchases at cost): | | |
| 5,054 | £5,810 British Transport 3% Gtd. Stock 1968/73 .. .. | 5,054 | |
| 3,237 | £3,722 British Elec. 3% Gtd. Stock 1968/73 .. .. .. | 3,237 | |
| 1,355 | £1,674 British Transport 3% Gtd. Stock 1978/88 .. .. | 1,355 | |
| 1,320 | £1,450 3½% Treasury Stock 1979/81 | 1,320 | |
| 874 | £1,093 British Gas 3% Gtd. Stock 1990/95 .. .. .. | 874 | |
| — | £1,500 3% Savings Bonds 1955/65 .. | 1,325 | |
| 438 | £510 3% Savings Bonds 1965/75 .. | 438 | |
| — | £1,000 3½% Defence Bonds .. | 1,000 | |
| — | £1,000 4% Defence Bonds .. .. | 1,000 | |
| 2,762 | £3,250 Fisons Ltd. 4½% Cum. Pref. Stock .. .. .. | 2,762 | |
| 1,825 | £2,000 Cables Investment Trust Ltd. 4½% Pref. Stock .. .. | 1,825 | |
| 1,392 | £1,280 I.C.I. Ltd. Ordinary Stock .. | 1,392 | |
| 3,568 | 782 Eagle Star Ins. Co. Ltd. Ordinary Shares .. .. | 3,568 | |
| 1,562 | 350 Sun Life Assurance Society Shares .. .. .. | 1,562 | |
| 4,046 | 289 International Nickel Co. Common Shares .. .. | 4,046 | |
| | | | 30,758 |
| 27,433 | *Market Value at December 31,, 1955: £40,520 (1954: £37,521)* | | |
| 955 | INCOME TAX RECOVERABLE .. .. | | 552 |
| 652 | DEBTORS AND PREPAYMENTS .. .. | | 231 |
| 1,184 | BALANCE AT BANK .. .. .. | | 307 |
| £30,224 | | | £31,848 |

We hereby certify that the above accounts exhibit a true and correct view of the state of the affairs of the Capel House (Medcalf) Trust, and that we have verified the Trust Fund investments.

STANLEY WALLIS,
JAMES A. ALLEN,
*Incorporated Accountants,*
*Hon. Auditors.*

*April 10, 1956.*

## SUMMARY OF REPORT OF SOUTH AFRICAN BRANCHES

With the approval of the Council of the Society in London a South African Council was formally established in October, 1955, to co-ordinate the activities of the three Branches in the Union of South Africa.

The South African Council consists of seven members; two representatives from each of the Western and Eastern Branches, and three representatives from the Northern Branch. The Honorary Secretary of the Northern Branch is to be Honorary Secretary of the South African Council. The Council will meet in October each year and otherwise at the special request of Branch Committees.

The first meeting of the South African Council was held on October 28, 1955. Mr. A. R. Butcher, of the Eastern Branch, was elected Chairman.

In co-operation with the Transvaal Society of Accountants, the Northern Branch has participated in the issue of a

pamphlet entitled *A Career in Accountancy*. This pamphlet, printed in English and Afrikaans, has been issued to high schools in the Transvaal for the benefit of careers masters and boys interested in the profession. In addition a film issued by the American Institute of Accountants, entitled *Accountancy—The Language of Business*, and depicting for the benefit of prospective entrants to the profession some of the many interesting aspects of an auditor's practice, has been shown at various schools and a number of talks have been given by leading members of the profession. The thanks of members are due to Mr. A. L. Galloway for initiating and being responsible for these developments.

Thirty-three candidates entered for the examination held on November 8, 1955, and 22 passed. Western Branch 5, of whom 5 passed; Northern Branch 25, of whom 15 passed; Eastern Branch 3, of whom 2 passed.

**Public Accountants' and Auditors' Act**

At December 31, 1955, the Public Accountants' and Auditors' Board had registered 1,650 persons as accountants and auditors. Of this number, 300 were Incorporated Accountants.

The Society's nominee on the Board for 1955 was Mr. Alan R. Butcher, with Mr. R. E. Grieveson as alternate. The Society's nominee on the Board for 1956 is Mr. R. E. Grieveson, with Mr. R. D. Meeser as alternate. Eight members of the Society, notably the Chairman, Mr. J. C. Macintosh, and the Vice-Chairman, Mr. R. H. Button, were members of the Board in 1955. The Society is represented on each of the four local Committees of the Board.

The Board has had another busy year. Revised rules on unprofessional conduct and misconduct received the approval of the Honourable the Minister of Finance and were published in the Government *Gazette* on September 23. The most important amendment as far as practising accountants are concerned is the rule which now classifies as misconduct, negligence in the performance of any duties devolving on an accountant in relation to any office of trust. Previously, disciplinary action could be taken only where negligence was proved in the conduct of an audit.

The Board has given much time to the problem of examinations. After much consideration a proposal was defeated that universities, if they complied with certain safeguards, should be entrusted with the conduct of a Final Qualifying Examination. It was, however, decided that the Board should take over the Final Qualifying Examination from the General Examining Board and a strong Committee, known as the Education Committee, has been appointed to implement the take-over and to investigate thoroughly the future education and examination of articled clerks.

The amendments to the Act which experience has shown to be necessary have been forwarded to the Minister of Finance and it is hoped that they will have the sanction of Parliament in 1956. The Minister of Finance has advised the Board that he has given the fullest consideration to the recommendations made by the Board in regard to the provisions of paragraphs (*c*) and (*d*) of sub-Section (1) of Section 30 of the Act, but that he is not prepared to act upon the recommendations so made. In view of this decision it now becomes necessary to prescribe the period referred to in the aforementioned Section and it is the intention of the Minister to issue a proclamation as soon as possible. The period to be prescribed is a matter upon which the Board has been asked to advise and this will be dealt with by the Board at an early date.

# Events of the Month

**June 7.**—*London:* Stamp-Martin seminar, opened by Professor B. C. Lemke, of Michigan State University. "The Development of Accounting Theory in the United States." Incorporated Accountants' Hall, W.C.2, at 6 p.m.

**June 8.**—*Bristol:* Extraordinary general meeting followed by annual general meeting of the West of England District Society. Royal Hotel, College Green, at 6.15 p.m.

**June 14.**—*London:* "Capital Changes," by Professor F. Sewell Bray, F.C.A., F.S.A.A. Stamp-Martin research lecture. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

**June 15.**—*Manchester:* Annual general meeting of the Manchester District Society. Incorporated Accountants' Hall, 90 Deansgate, at 6.30 p.m.

**June 25.**—*London:* London Students' Society annual general meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

**June 26.**—*London:* London District Society annual general meeting. Incorporated Accountants' Hall, W.C.2, at 5.30 p.m.

**July 5.**—*Newcastle upon Tyne:* North of England District Society annual general meeting. Royal Station Hotel, at 6.15 p.m.

# District Societies and Branches

## Scottish Branch

THE SEVENTY-SIXTH annual general meeting was held in Glasgow on April 6. The President, Mr. Festus Moffat, O.B.E., occupied the chair.

The report and accounts were adopted. The retiring members of the Council were re-elected, and Mr. Stuart Macrae was elected to the Council to fill a vacancy. The Auditors were re-elected.

Mr. Moffat spoke of the loss suffered by the Branch in the death of Mr. John Stewart, a Vice-President. He then referred to the facilities available to students, and acknowledged the work of members for the Glasgow Students' Society.

On the motion of Mr. James A. Scott, the members present unanimously recorded their appreciation of the work of Mr. Moffat and Mr. Ritchie on the Council of the Society in London, and of the work of the Secretary, Mr. J. D. Battersby. A vote of thanks was accorded to Mr. Moffat for presiding.

REPORT

Mr. Donald M. Muir, F.S.A.A., resigned from the Council, and the Council recorded its appreciation of his services. Mr. William M. Grier, F.S.A.A., and Mr. Eric Maxwell, F.S.A.A., were elected to the Council at the annual meeting. Mr. Alexander M. Shaw, F.S.A.A., was elected a Vice-President to fill the vacancy caused by the death of Mr. John Stewart, F.S.A.A.

Scottish members and students were given the opportunity of meeting the President of the Society, Mr. Bertram Nelson, C.B.E., F.S.A.A., and the Secretary, Mr. I. A. F. Craig, O.B.E., in Glasgow on October 27.

At December 31, 1955, there were 169 members and 215 students. The figures for 1954 were 162 and 225.

The Council noted with pleasure the award of M.B.E. to Mr. Alastair Macdonald, A.S.A.A., a member of the Scottish Council.

The examinations in 1955 were attended by 97 candidates, of whom 34 passed.

The Students' Section held study circle meetings and a series of lectures. A golf section was formed.

The Council obtained permission for students to attend classes at the universities of Edinburgh, Glasgow and Aberdeen. Day release classes for students of the Society are conducted at the Scottish College of Commerce.

The Branch was registered under the group scheme of the Scottish Nuffield Provident Society.

COUNCIL MEETING

A meeting of the Council of the Scottish Branch was held on April 6.

Mr. Festus Moffat, O.B.E., was re-elected President, and Mr. Robert Fraser, Mr. James A. Scott, O.B.E., and Mr. Alexander M. Shaw were re-elected Vice-Presidents.

## Bradford

A MOST SUCCESSFUL WEEK-END revision course was held from April 26 to 29 at the Victoria Hotel and Carlton Grammar School, Bradford. It was attended by 64 students, including 40 from the Bradford District Society, 17 from the Yorkshire District Society, and seven students of the Institute of Chartered Accountants.

The working of questions from recent examination papers was a helpful feature of the course.

Lectures were provided in preparation for the Intermediate and for both Parts of the Final Examination. The lecturers were Mr. V. S. Hockley, B.COM., C.A., Mr. J. Pickles, Barrister-at-Law, Mr. A. B. Mitchell (solicitor), and Mr. J. F. Hall, M.SC.(ECON.), B.COM.

**London**

THE ANNUAL GENERAL meeting of the London and District Society will be held at Incorporated Accountants' Hall on June 26 at 5.30 p.m.

**London Students' Society**

THE INCORPORATED ACCOUNTANTS' Students' Society of London will hold its annual general meeting at Incorporated Accountants' Hall at 6 p.m. on June 25.

**Northern Ireland**

MR. L. F. GARLAND, A.S.A.A., 20 Howard Street, Belfast, has become Honorary Secretary of the Northern Ireland District Society.

**South Wales and Monmouthshire**

THE SPRING MEETING of the Golfing Society was held on May 1 at Royal Porthcawl Golf Club. The President of the District Society, Mr. D. R. Carston, F.S.A.A., presented the prizes. Mr. W. P. R. Peters was elected captain for the ensuing year.

The results were as follows: Morning medal round and Wilson Bartlett cup: first, Mr. A. K. Bennett, 88−13=75; second, Mr. J. Fooks, net 77; third, Mr. L. S. Dewar, net 78. The Committee cup was won by Mr. A. G. Pallot, and Cardiff won the Wallace Williams challenge shield.

Afternoon Stableford Foursomes: first, Mr. H. C. Fooks and Mr. J. Fooks, 37 points; second, Mr. T. M. Dawson and Mr. R. L. Thompson, 31 points. The F. J. Alban trophy was shared by Mr. W. P. R. Evans and Mr. W. G. Evans and Mr. W. H. G. Cocks and Mr. C. V. Miles.

## Personal Notes

Messrs. Lithgow, Nelson & Co., Incorporated Accountants, celebrated the centenary of their Liverpool office on May 12. A garden party was held at Sandford, Blundellsands, Liverpool, the home of Mr. and Mrs. Bertram Nelson. Representatives of the London, Liverpool and Southport partners and staff were present.

Mr. F. B. Young, A.S.A.A., has taken an appointment as director and secretary of Creators Ltd., Woking, Surrey.

Mr. J. G. Carter, Incorporated Accountant, Shrewsbury, has taken into partnership Mr. W. A. Turner, Chartered Accountant. The practice will be carried on in the name of Carter, Turner & Co.

Mr. J. W. Bowerman, A.S.A.A., is now chief accountant of Niarchos (London) Ltd., London, W.1.

Mr. Harold Hartley, F.S.A.A., announces that he has amalgamated his interests in Leeds and Hull. He is now practising under the style of Hartley, Wilkinson & Co., Incorporated Accountants, in both towns, with a principal office at 32 Quay Road, Bridlington, Yorkshire.

Messrs. Silversides, Slack and Barnsley, Incorporated Accountants, announce that following the regretted death of Mr. Percy E. Slack, F.S.A.A., the practice of the firm is being continued by the remaining partners.

Messrs. Lescher, Stephens & Co., London, E.C.4, announce that Mr. E. F. L. Salmons, A.S.A.A., and Mr. J. T. Andrews, A.S.A.A., who have both been with the firm for many years, have been assumed as partners. The style of the firm is unchanged.

Messrs. Basden & Mellors, Chartered Accountants, Nottingham, have admitted into partnership Mr. Joseph Daykin, A.C.A., A.S.A.A., who has been connected with the firm for a number of years. The style of the firm is unchanged.

Mr. E. R. Myers, A.S.A.A., and Mr. Allan Haywood, A.S.A.A., have begun to practise in partnership as E. Robertshaw Myers, Haywood & Co., Incorporated Accountants, at 17 Devonshire Street, Keighley.

Messrs. Clifford Towers, Temple & Co., Incorporated Accountants, London, E.C.4, advise that Mr. Peter Holliday, A.S.A.A., who has been a member of their staff for fifteen years, has been admitted to partnership.

Mr. H. R. Hands, F.S.A.A., Birmingham, has taken Mr. Jack Newsome, A.S.A.A., into partnership. The practice is being continued under the style of H. R. Hands & Co., Incorporated Accountants.

The partnership of Messrs. Pratt, Pollard & Tarry, Wellingborough, has been dissolved by agreement. Mr. H. W. Pratt, F.S.A.A., and Mr. B. C. Tarry, A.S.A.A., have been joined by Mr. K. H. Risdale, A.S.A.A., and they are practising from the same address under the style of Pratt, Tarry & Co., Incorporated Accountants. The firm is associated with Messrs. Baker & Co., Incorporated Accountants, Northampton, Leicester and Rushden. Mr. H. H. Pollard, A.S.A.A., is continuing in practice in his own name, also from the same address.

Messrs. Crane, Houghton & Crane, Incorporated Accountants, London, W.C.2, have admitted into partnership Mr. R. E. M. Crane, A.S.A.A.

Messrs. Arthur E. Green & Co., Incorporated Accountants, London, E.C.2, announce that Mr. David H. Harding, A.S.A.A., who has been a member of their staff for some years, has been admitted into partnership. The name and address of the firm are unchanged.

The partnership of Messrs. Welford, Simpson & Scott, Incorporated Accountants, has been dissolved. Mr. F. Alexander Simpson, A.S.A.A., is practising under his own name, while Mr. L. R. Welford, F.S.A.A., and Mr. A. E. Scott, A.S.A.A., are remaining in partnership under the firm name of Welford, Scott & Co. Both practices continue to be carried on at Royal London House, 17 Finsbury Square, London, E.C.2.

Mr. Harold U. Green, F.S.A.A., states that following the regretted death of his father, Mr. Alfred Green, F.C.I.S., F.A.C.C.A., he is continuing as sole partner the practice of Alfred Green & Co., Runcorn.

## Removals

Mr. Michael Berman, Incorporated Accountant, announces that his office is now at Bank Chambers, Longmarket Street, c/o Long Street, Cape Town.

Messrs. Norman Alexander & Co., Chartered Accountants, advise that their address is now 30 Hertford Street, Park Lane, London, W.1.

Messrs. Pickard, Penny & Co., Incorporated Accountants, are now at 14 East Parade, Leeds, 1.

Mr. Sidney W. Leigh, Incorporated Accountant, has transferred his practice to 25 Balmoral Road, opp. Thornley Park, Denton, near Manchester.

## Obituary

**John William Daffarn**

WE RECORD WITH regret the death on April 20 of Mr. J. W. Daffarn, F.S.A.A.

Mr. Daffarn was 74 years of age, and had been a member of the Society of Incorporated Accountants since 1910. For many years until his death he was senior partner in Messrs. Saunders, Daffarn & Saunders, Incorporated Accountants, London, E.C.2. His whole professional career was spent in the firm, in which he was admitted to partnership in 1920.

The funeral service was at St. James's Church, Muswell Hill, London, N.10, on April 25.

**Herbert Townsend**

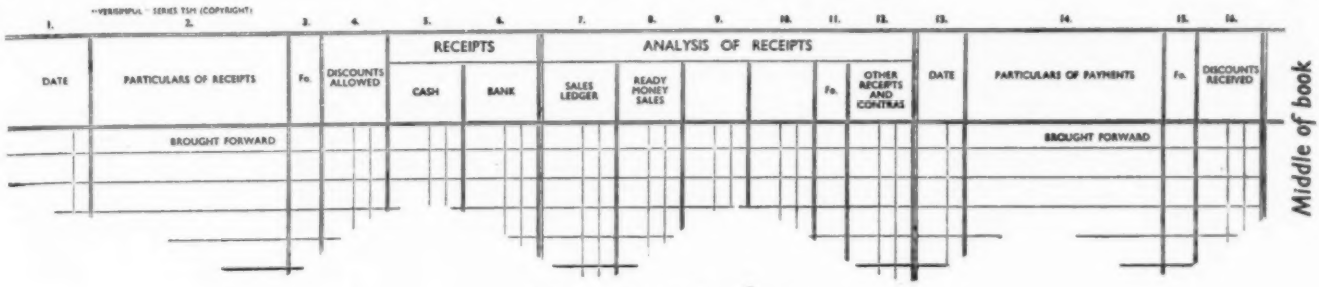
WE REGRET TO report that Mr. Herbert Townsend, F.S.A.A., died on March 20. He qualified as an Incorporated Accountant in 1914, and after serving in the Army Audit Office and in the Ministry of Munitions, he commenced practice in London in 1921. Ten years later he became the founder and senior partner of the firm of Townsend, Watson & Stone, Incorporated Accountants. Since his retirement from the practice in 1950 he had retained the appointment of secretary to the Highgate Building Society.

Mr. Townsend was a former Captain and for some years Honorary Secretary of the Incorporated Accountants' Golfing Society.

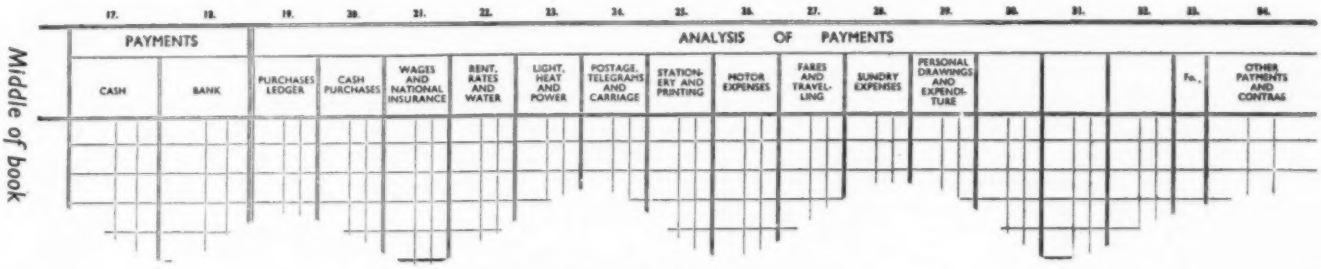
*REDUCED FACSIMILE OF RULING OF THE*

# "TSM" ANALYSIS CASH BOOK

FIRST PRODUCED IN 1933 — 12th (REVISED) EDITION




*Left-hand side of opening*




*Right-hand side of opening*

- STRONGLY BOUND IN FULL CLOTH AND PRODUCED ON AZURE LAID ACCOUNT BOOK PAPER
- EACH BOOK CONTAINS 50 FOLIOS (100 PAGES) NUMBERED
- SIZE OF COVER 14½" × 13"
- AMPLE SPACE IN POUNDS COLUMNS
- TO PREVENT EYESTRAIN, EVERY FIFTH LINE ACROSS IS OF A SLIGHTLY DEEPER SHADE
- FOR THE BENEFIT OF TRADERS WITH LITTLE OR NO KNOWLEDGE OF BOOK-KEEPING, SPECIMEN ENTRIES ARE PRINTED AT THE BACK OF EACH BOOK
- OUR BUSINESS IS ENTIRELY A RETAIL MAIL ORDER ONE AND WE DO NOT SUPPLY THE TRADE FOR RESALE. THE BULK OF OUR CUSTOMERS ARE ACCOUNTANTS, WHO HAVE RECOMMENDED OUR BOOK TO THEIR CLIENTS FOR NEARLY A QUARTER OF A CENTURY
- WE ONLY SELL THIS ONE BOOK
- FULL SIZE SPECIMEN SHEETS GLADLY SENT ON REQUEST AT ANY TIME

*PRICE* **25/-** *POST FREE IN U.K.*

Members of the Accountancy profession may deduct the following discount:—
On orders for less than 4 books at a time 10%
On orders for 4 books and upwards at a time 15%

## ORDER FORM

*Date*.....

To the "VERISIMPUL" ACCOUNT BOOK CO., LTD.,
Westminster Bank Chambers, 4 Market Place, Kingston-on-Thames, Surrey.

Please send .....copy/copies of your TSM Analysis Cash Book (price 25/– each), for which a remittance of £..... is enclosed herewith.

Name (*Block letters, please*).....

Profession or Trade.....

Address.....

Accy. 6/56

# Classified Advertisements

*Two shillings and sixpence per line (average seven words). Minimum ten shillings. Box numbers one shilling extra. Replies to Box Number advertisements should be addressed Box No. . . . , c/o* ACCOUNTANCY, *Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.*

## APPOINTMENTS VACANT

### THE SOCIETY'S APPOINTMENTS REGISTER

*Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar* 8822.

**UNIVERSITY OF DURHAM**
**KING'S COLLEGE, NEWCASTLE UPON TYNE**

The Council of King's College invite applications for the post of Senior Assistant Bursar. Candidates should hold a recognised qualification in accountancy and have experience in administration and the supervision of mechanised accounting.

The starting salary will be determined at a suitable point on the scale £1,450 × £50—£1,750, in accordance with the qualifications and experience of the successful candidate. Superannuation Benefits and Family Allowance will be payable. It is intended that the appointee shall take up duty on or about October 1, 1956.

Further particulars may be obtained from the undersigned to whom applications (twelve copies) should be addressed so as to reach him not later than June 9, 1956.

G. R. HANSON,
*Registrar of King's College.*

**CITY OF CARDIFF EDUCATION COMMITTEE**
**College of Technology and Commerce**
(*Principal:* A. HARVEY, PH.D., B.SC., F.INST.P.)

ASSISTANT LECTURER IN ACCOUNTANCY—Applicants should be members of at least one professional Accountancy body. The successful applicant will be required to teach Accountancy to the Intermediate and Final Levels of Accountancy and Secretarial Professional Associations. Ability to assist in teaching Costing, Taxation and Auditing would be an advantage. Good business or professional experience would be an advantage.

The salary payable will be that for a Grade B Assistant, i.e. £525 × £25—£820 (men) with appropriate additions for degree or equivalent and correspondingly for women. Allowance for previous teaching or similar professional experience will be made in placing on the scale.

Forms of application, together with further particulars, may be obtained from the undersigned on receipt of a stamped foolscap envelope, and should be returned not later than 14 days after the appearance of this advertisement.

ROBERT E. PRESSWOOD,
*Director of Education.*

City Hall, Cardiff.

**A LARGE** retail Hire Purchase business operating from branches throughout the country requires an Administrator. The duties, which will call for a certain amount of travelling, involve responsibility for branch administration and systems under the direction of the Secretary, preparation of statistical figures for management, and supervision of the internal audit staff and procedure. The position necessitates an individual with drive and organising ability, age 30 to 40, with previous experience in a large retail Hire Purchase organisation. Some knowledge of the administrative and legal aspects of retail Hire Purchase trading is essential, together with accountancy experience. Write, stating age, details of education and career to date, indicating salary expectations to Box No. 369, c/o ACCOUNTANCY.

**A LEADING** firm of Chartered Accountants have vacancies in their Birmingham office for young newly or partly qualified men. Box No. 372, c/o ACCOUNTANCY.

**A MANUFACTURING** Company requires a Chief Cost Accountant for its large Engineering Factory near Stoke-on-Trent. This involves a senior appointment of an experienced Accountant to form part of an energetic and progressive Management team.

There exists already a highly developed system of Standard Costing and Budgetary Control and the Chief Cost Accountant to be appointed will be expected to operate this, extending it as necessary, and advise Top Management on its interpretation.

Applications are invited from fully qualified Accountants, with a minimum of five years' industrial experience in senior executive positions; age range preferably 30–40 years. This vacancy has already been notified to staff. Details stating qualifications, experience and salary required, in confidence, to Box No. 368, c/o ACCOUNTANCY.

**A MEDIUM SIZED** City firm of Chartered Accountants has vacancies for two able newly-qualified men. Starting salaries up to £750 for capable applicants. Write Box V.854, c/o STREETS, 110 Old Broad Street, E.C.2.

**A SMALL** firm of Incorporated Accountants have vacancy for Semi-Senior Audit Clerk with good accountancy experience. Excellent chance for advancement in varied practice. Apply, stating age, experience and salary required, to Box No. 363, c/o ACCOUNTANCY.

**ACCOUNTANT FOR WEST AFRICA.** Firm of practising Accountants require a Chartered, Incorporated or Certified Accountant for senior staff appointment. The appointment is suitable for a recently qualified man with good practical training, but a man of up to 35–40 with the necessary all-round experience would be considered. Salary, according to experience, would be arranged at interview. Eighteen months' tours with three months' leave on full salary between tours. Free furnished quarters. Provident Fund. £60 outfit allowances. Low Income Tax. Apply with full particulars to Box No. 536, DORLAND ADVERTISING LTD., 18–20 Regent Street, London, S.W.1.

**ACCOUNTANT**—Public Company requires Company Secretary. Applicants must be qualified Chartered, Incorporated or Certified Accountants, aged 35–40, with Secretarial experience in Public Works Contracting or the Building Trade. Salary approximately £1,500 per annum. Non-contributory Pension Scheme operated. All applications will be treated in confidence. Apply stating age, education, experience, etc., to Box No. 367, c/o ACCOUNTANCY.

**ACCOUNTANT** required by NORTH BORNEO GOVERNMENT Accountant General's Department for 3 years in first instance. Salary according to experience in scale (including Expatriation Allowance) equivalent to £1,043 rising to £2,009 a year. Additional variable allowance up to £112 (married men) and £33 to £156 (family men). Gratuity on satisfactory completion of service. Outfit allowance £60. Free passage. Liberal leave on full salary. Candidates, between 24 and 33, must hold a recognised professional accountancy qualification and have had substantial accounting experience with a professional accountant, bank, Government Department or public company. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M1B/43291/AD.

**ACCOUNTANT/SECRETARY** required for two companies in Southern Rhodesia. Young recently-qualified accountant with costing experience preferred. Commencing salary £1,080 per annum, passage paid. Full details to Box No. 360, c/o ACCOUNTANCY.

**ACCOUNTANTS! AUDIT CLERKS! BOOK-KEEPERS!** If you have the necessary experience we can find a BETTER position for you from dozens now on our books, with no obligation to yourself. Phone or write: HOLMES BUREAU, 10 Queen Street, E.C.4. City 1978.

**ASSISTANT** (male or female) with 2/3 years' experience required by practitioner (Fellow) with rapidly expanding practice. Opportunity of early responsibility for keen and intelligent applicant. Full particulars and salary required to A. Hone, CHRISTIE, BUCHANAN & CO., Midland Bank Building, 47–49 Rye Lane, S.E.15.

**AUDIT CLERKS.** Many vacancies waiting for Senior, Semi-Senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

**AUDITORS** needed. City firm of Chartered Accountants (5 partners) has vacancies for two semi-senior audit assistants, to work partly under supervision and partly on their own. Starting salaries up to £700 for able applicants. Write Box V.855, c/o STREETS, 110 Old Broad Street, E.C.2.

**ASSISTANT COST ACCOUNTANT** for leading firm of Printers. Progressive appointment. Full particulars to Williamson, Butterfield & Roberts, Chartered Accountants, City Chambers, 2 Darley Street, Bradford, 1.

**CHARTERED ACCOUNTANT** with small practice in the W.C.2 area requires assistant, male or female, aged about 24, with a sound knowledge of book-keeping principles and ability to work without supervision. Articles may be available if required. Apply, stating age, experience and present salary to Box No. 366, c/o ACCOUNTANCY.

**CHARTERED** Accountants (Grimsby) require audit assistants. Excellent prospects in varied and expanding practice. Write, giving age, experience, etc. Salary accordingly. Box No. 371, c/o ACCOUNTANCY.

**CHARTERED** Accountants, London, with large and varied practice, require immediately a young qualified accountant. Good prospects for suitable man. No Saturdays. Full details to Box No. 349, c/o ACCOUNTANCY.

**CHARTERED OR INCORPORATED** Accountant. Messrs. Gillanders Arbuthnot & Co. Ltd., of India, Pakistan and Burma require the services of a fully qualified Chartered or Incorporated Accountant for their Head Office in Calcutta. Particulars of terms from OGILVY GILLANDERS & CO. LTD., 2A Eastcheap, E.C.3.

**CHARTERED OR INCORPORATED** Accountant, with wide administrative, financial and taxation experience, required for post as Secretary and Chief Accountant of large Group of Companies in Singapore. Knowledge of Film Industry an advantage. 3-year contract; 6 months home leave; passages paid; salary £5,000 p.a. Full experience and copies of references to C.H.B., 22 Upper Grosvenor Street, London, W.1.

**CHIEF** Accountant (qualified) required for Radio and Television manufacturers in East London suburb. Age limit 32. Will be completely responsible for all accountancy/financial matters, have control of small office staff, and answerable only to directors. Salary £900 p.a. Box No. 373, c/o ACCOUNTANCY.

**CHIEF ACCOUNTANT** required for ELECTRICITY DEPARTMENT GOLD COAST LOCAL CIVIL SERVICE, for two tours of 18 to 24 months each. Salary (consolidated) £2,500 a year. Gratuity at the rate of £150 a year. Free passages. Liberal leave on full salary. Candidates, not less than 35 years of age, must be qualified accountants and have had at least five years high-grade experience in a responsible accountancy position in a commercially operated electricity undertaking. Write to the Crown Agents, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M1B/35108/AD.

**CITY** Chartered Accountants have vacancies for qualified senior assistants. Applicants should be capable of taking to the final stage a wide variety of work which may include investigations and report writing relative to share valuations, amalgamations and other subjects. Experience in this type of work would be an advantage but it is not essential.

An initial salary up to £1,000 p.a. depending on age and experience is contemplated.

Applicants should in the first instance write giving the usual particulars to Box No. 514, DORLAND ADVERTISING LTD., 18–20 Regent Street, London, S.W.1.

**COLONIAL DEVELOPMENT CORPORATION** requires Qualified ACCOUNTANTS of between 25 and 40, preferably with Commercial and Professional experience, for service initially in London and later in the Colonies.

Pensionable posts with starting salaries up to £1,500 p.a. according to experience.

Apply giving full particulars quoting Serial 273 to PERSONNEL, 33 Hill Street, London, W.1.

**INCORPORATED ACCOUNTANT,** West Riding Industrial town, near Leeds, has vacancy for a senior audit clerk. Written applications giving full details of experience and salary required to Box No. 365, c/o ACCOUNTANCY.

**GROWING** firm of Chartered Accountants in British Columbia requires recent C.A. graduates or Incorporated Accountants for positions holding forth good prospects for advancement. Applicants will be paid commensurate with experience and ability.

Preference will be given to those considered to be partnership material.

Vacancies available:

| | |
|---|---|
| TERRACE | Chartered Accountant with comprehensive duties, with particular emphasis on responsibility for staff supervision. |
| PRINCE GEORGE | Senior staff auditor. |
| KITIMAT | Resident Manager. |
| VANCOUVER | Two staff auditors. |

Please address all replies and forward small photograph to A. P. GARDNER & CO., 1118 Melville Street, Vancouver 5, B.C., Canada.

# KING'S DETECTIVES

Confidential Investigations in Civil, Criminal, Commercial, and Personal cases. Observations discreetly maintained upon Suspected Persons and Premises. Internal Larcenies and cases of Fraud and Embezzlement investigated. Financial Inquiries and Investigations in Bankruptcy cases undertaken. Questioned Documents examined. Persons Traced.

**W. J. KING'S DETECTIVE BUREAU LTD.**

CHANCERY HOUSE, CHANCERY LANE, LONDON, WC2

**HOLborn 0343/2860** *Telegrams: Kingtex, Westcent, London*

# Hotels and Restaurants

Since 1899 Hammersley, Kennedy & Co. have specialised in the sale and valuation of hotels and catering businesses, to the total exclusion of any other branch of estate agency. The partners are members of the leading professional bodies.

Offices:

**19 HANOVER SQUARE, LONDON, W.1**

Telephones: MAYfair 6857 and GROsvenor 4950


**MANCHESTER** Chartered Accountants have a vacancy for a first-class senior with good all-round experience. This position has good prospects for a qualified man who has decided to make his career in the profession. Commencing salary dependent upon qualifications and experience. Pension scheme. Please reply with full details to Box MS 2., BAIRD & DAWSON LTD., Old Colony House, South King Street, Manchester 2.

**MIDDLE-AGED** qualified Accountant required for supervision of specialised accountancy department dealing with schools. Work includes visits to Clients (mostly in Southern England) to discuss and advise on financial matters. Starting salary £900. Write Box V. 853, c/o STREETS, 110 Old Broad Street, E.C.2.

**PRICE WATERHOUSE, PEAT & CO., PERU,** require young qualified accountants to augment their staff in Lima. There are excellent opportunities for speedy promotion. Basic salary, home leave on full pay with passages paid and annual bonus. Peru is a progressive country with a rapidly expanding economy and there are no restrictions on the remittance of savings. Applications to PRICE WATERHOUSE & Co., 3 Frederick's Place, Old Jewry, London, E.C.2.

**SEMI-SENIOR** and Junior Clerk required by varied practice on South coast. Ability to work to final accounts and experience of incomplete records an advantage. Taxation experience desirable but not absolutely necessary. Full particulars and salary required to Box No. 370, c/o ACCOUNTANCY.

**QUALIFIED** Accountants, aged 25–32, preferably with some industrial or commercial experience since qualifying, are required by a leading London firm of Chartered Accountants for training in organisation, methods and costing work. Four figure commencing salary according to personality and experience. Write Box No. 375, c/o ACCOUNTANCY.

**VACANCIES available for qualified Accountants in South America, West Indies, Rhodesia, Kenya, Far East and the Continent. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.**

**YOUNG** single Chartered or Incorporated Accountant required by leading firm of Accountants practising in Singapore and Federation of Malaya, 3 years' tour, 1st class passage to and from Malaya. Cash salary £1,400 p.a. which is adequate for comfortable living and car expenses. Income tax will be paid by employer and if at end of 3 years employee does not wish to continue career in the East and enter into new contract he will receive a total of £2,000 free of tax. Very good prospects of promotion for suitable man. Box No. 374, c/o ACCOUNTANCY.

**THE NIGERIAN RAILWAY CORPORATION**

Applications are invited for the following appointments:

ACCOUNTS DEPARTMENT

*Principal Internal Auditor.* The post is a new one and the person appointed will be required to establish an audit section in the Accounts Department. Salary £1,900. Overseas Pay (if applicable) £350.

*Assistant Internal Auditor.* Will be required to assist the Principal Internal Auditor. Salary range £850/£1,600. Overseas Pay (if applicable) £300.

*Accountant.* Sound knowledge of Income Tax law and practice in Nigeria or the United Kingdom is essential. Salary range £850/£1,600. Overseas Pay (if applicable) £300.

Applicants must be qualified A.C.A., A.S.A.A., A.A.C.C.A., A.C.W.A., A.I.M.T.A. or A.C.I.S. Appointment may be to the pensionable establishment of the Corporation or on contract terms with a gratuity of 20% of salary drawn and Overseas Pay (if applicable). Applications should be addressed to The London Representative, NIGERIAN RAILWAY CORPORATION, 11 Manchester Square, London, W.1.


**E. IRVINE HALLAS, A.C.A.**

**7-9 QUEENSGATE, BRADFORD**

INSTITUTE AND SOCIETY EXAMS.

Expert postal and oral tuition, based on 30 years' experience in preparing candidates for these Exams. Painstaking criticism and marking of work and prompt return of all papers is guaranteed. Moderate Fees. Tuition adapted to meet precise personal needs of each candidate. Copies of over 800 signed letters received from past students will be sent on request.


## *APPOINTMENTS REQUIRED*

**A VACANCY** may soon occur on your staff. Let us help to fill it as soon as possible. Phone or write: HOLMES BUREAU, 10 Queen Street, E.C.4. City 1978.

**AUDIT CLERK,** 20 years of age, with 2½ years professional experience in Dublin, seeks similar position in London. Please state salary payable. Replies to Box No. 364, c/o ACCOUNTANCY.

## *PRACTICES AND PARTNERSHIPS*

**INCORPORATED** Accountant 35, partner retiring, equipped City offices, gross fees £3,000, seeks arrangement or amalgamation with practitioner over 45, objectives expense, economy and continuity. Box No. 354, c/o ACCOUNTANCY.

## *HOTELS*

**THE MANOR HOTEL,** Blakeney, Norfolk. Tel. Cley 241. An old Manor House dating back to the 17th century, where one can enjoy the peace and quiet of a comfortable Hotel with modern amenities. The produce from our extensive and beautiful gardens is always fresh and well cooked. The delightful Cocktail Bar is a popular rendezvous after a day of bird watching, sailing, golf, or relaxing in the sun.

## *ARTICLED CLERKS*

**REVISION TESTS** by PERT for the Society's exams. Model Answers spotlight your errors; Tutorial criticism fully explains them. PRE-EXAMINATION REVISION TESTS LTD., 5 Beulah Road, Tunbridge Wells.

## *MISCELLANEOUS*

**NAME PLATES FOR ACCOUNTANTS,** in bronze, brass and plastics.—Send wording and size for free estimate and layout to ABBEY CRAFTSMEN LTD., 78 Osnaburgh Street, London, N.W.1. Tel. EUSton 5722.

**NAME PLATES FOR ACCOUNTANTS** (in Oxidised bronze or brass) promptly engraved. Send words for full-size layout. Illustrated leaflet sent post free.—MAILE & SON LTD., 367 Euston Road, N.W.1.

**OLD ESTABLISHED** Building Society with high reserves and liquid funds requires additional investments to keep pace with its growing mortgage department. Applications for a limited number of investment agency appointments are invited from professional accountants. Write for particulars to Box No. 315, c/o ACCOUNTANCY.

**THE "GROVE"** specially designed Account Books greatly simplify the book-keeping difficulties of the small businessman and trader. Clear. Complete. Scientific. Supplied to and recommended by accountants throughout the country. Specimen rulings on request. THE GROVE PUBLISHING CO., Macclesfield, Cheshire.

**WAKEFIELD COLLEGE OF INCOME TAXATION LIMITED** offers SPECIALISED postal tuition for those who wish to SPECIALISE in Income Taxation. Course for the Associateship Examination of the Institute of Taxation. Also non-examination courses. Prospectus free from the Principal, Dept. A6, 29 Barstow Square, Wakefield.

# OUTSTANDING VALUE
IN
# LIFE ASSURANCE

ESTABLISHED 1844

**EQUITY & LAW**

LIFE ASSURANCE SOCIETY

20, LINCOLN'S INN FIELDS, LONDON, W.C.2


Published by The Society of Incorporated Accountants at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2 and Printed in Great Britain by The Shenval Press, Simson Shand Ltd, London, Hertford and Harlow. June, 1956.